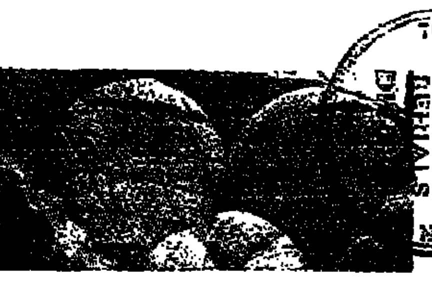


FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper | WEEKEND OCTOBER 3/OCTOBER 4 1992 | D8523A

Bank of England denies Senate claims over BCCI

The Bank of England yesterday fiercely denied accusations by US senators that it failed to regulate the Bank of Credit and Commerce International properly, condemning part of the criticism as "misconceived and offensive".

In an unusually strong public statement, the Bank made a detailed rebuttal of charges in a Congressional inquiry which accused it of "wholly inadequate" regulation of BCCI. Page 6

Amstrad: Alan Sugar, chairman and founder, confirmed he was considering taking his personal computers and consumer electronics company private again as it reported a full-year loss for the first time in its history. Page 24

Record trade surplus: Japan's current account surplus rose by $7.1bn (£4bn) in August, up 28.2 per cent on the previous August and the largest surplus ever recorded for the month. Page 3

Solchaga calls for pooling of reserves

European Community member states should consider pooling their foreign exchange reserves as part of an urgent package of measures to save the European Monetary System, Carlos Solchaga, the Spanish economy minister (left), said. Page 2

Fisons: Stephen Atwood, head of US operations at the troubled pharmaceuticals, scientific instruments and horticultural products company, has resigned, following the group's failure to clinch the reintroduction of two of its withdrawn products in the American market. Page 10

Trygg-Hansa SPP, Sweden's leading insurance group, plunged into a SKr5.57bn (£578m) operating loss for the first eight months of the year. This compares with a SKr1.09bn profit for the same period of 1991. Page 12

Trafalgar House: Institutional shareholders at the property, construction and engineering group, under siege from Hongkong Land, indicated they were unlikely to sell more shares. Page 10

Renault and Volvo, in a significant move, are to develop jointly a new range of top-of-the-line executive cars to be sold in Europe from the end of the decade. Page 12

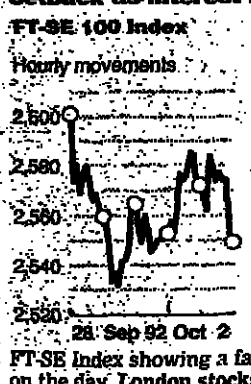
Times cuts jobs: More than 20 journalists on The Times lost their jobs as the new editor, Peter Stothard, prepared to change the newspaper's format.

Roquefort, one of France's best known smelly cheeses, escaped from being Swiss when Nestlé, the food multinational, sold a controlling slice to Besnier, a leading French cheese supplier, for FFr863m (£104m). Page 12

Amoco: Poland granted its first post war exploration concession to the US petroleum company, which is to spend $20m (£11.5m) on looking for oil and gas south of Warsaw and east of Lublin near the former Soviet frontier. Page 2

Setback as interest rate hopes fade

FT-SE 100 Index
Hourly movements



The London stock market paid dearly for the interest rate optimism which had sustained it earlier in the week. Gains in share prices were sharply reversed as sterling crumbled after hopes of rate cuts in Germany and in the US were dashed. The two-week equity trading account ended on a sour note with the FT-SE Index showing a fall of more than 22 points on the day. London stocks, Page 15

Coal job fears: Michael Heseltine, the president of the board of trade, held a meeting with prime minister John Major amid growing worries in the government over the economic impact of the 30,000 job cuts expected when British Coal is privatised next year. Page 24

Shock selection: The choice made by Itamar Franco, Brazil's interim president, of a new finance minister sent shock waves through the financial markets. Page 3

■ STOCK MARKET INDICES

FT-SE 100:	2,549.7	(−22.6)
Yield	4.72	
FT-SE Eurotrack 100	993.58	(−12.45)
FT-A All-Share	1,206.07	(−0.7%)
Nikkei	17,324.67	(−45.84)
New York: lunchtime		
Dow Jones Ind Ave	3,220.33	(−34.04)
S&P Composite	412.94	(−4.25)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	2.674%
Long Bond	98⅞
Yield	7.337%

■ LONDON MONEY

3-mo Interbank	9⅛%	(9½%)
Liffe long gilt future:	Dec 95⅞	(Dec 96½)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.58	(20.45)

■ Gold

New York Comex (Oct)	$348.1	(347.5)
London	$348.15	(348.25)

■ STERLING

New York lunchtime:		
$	1.727	
London:		
$	1.726	(1.7365)
DM	2.43	(2.475)
FFr	8.2275	(8.365)
SFr	2.15	(2.1625)
Y	206	(208.5)
£ Index	81.1	(82.7)

■ DOLLAR

New York lunchtime:		
DM	1.4095	
FFr	4.77	
SFr	1.2335	
Y	119.45	
London:		
DM	1.4085	(1.4255)
FFr	4.7675	(4.8175)
SFr	1.245	(same)
Y	119.3	(120)
$ Index	68.4	(60.3)

Tokyo close Y 119.4

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Heseltine gives warning that government cannot let the pound go into free fall

Sterling hits new D-Mark low

By David Waller in Schwerin and Peter Marsh and Philip Stephens in London

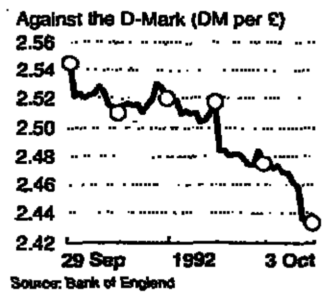
STERLING hit a new low yesterday against the D-Mark, as the German Bundesbank dashed hopes that it might lower interest rates.

The pound's continued weakness followed a public warning from Mr Michael Heseltine, the president of the board of trade, that the government could not use sterling's suspension from the European exchange rate mechanism to allow the currency to go into free fall.

Mr Heseltine also echoed a warning earlier this week from Mr John Major, the prime minister, that the government could not rule out increases in taxation next year if spending and the deficit are not held in check.

The Treasury said the Bank of England's reserves fell by an underlying £4.4bn ($7.7bn) last month as a result of heavy intervention by the UK authorities in the vain effort to prop up sterling ahead of the suspension from the ERM just over two weeks ago.

Sterling
Against the D-Mark (DM per £)



Source: Bank of England

The sharp fall in sterling gave an awkward jolt to Mr Norman Lamont's preparations for what promises to be a critical Tory party conference for the chancellor in Brighton next week.

Investors switched funds out of pounds and into D-Marks after Mr Helmut Schlesinger, the Bundesbank's president, said that it would keep its main credit rates steady for the "time being".

Mr Schlesinger – who earlier this week was embroiled in a row with the British Treasury over who was to blame for the pound's exit from the ERM – said German credit rates were not unduly high given the pressures of unification. He revealed that total Bundesbank intervention since the beginning of September to support weak ERM currencies had totalled DM92bn. He was speaking after a meeting of the central bank's council in Schwerin, eastern Germany.

The Bundesbank's lack of action on interest rates was the main factor behind the pound shedding 4½ pfennigs yesterday to a close in London of DM2.43, an 11½ pfennig loss on the week. At last night's level, sterling is more than 50 pfennigs below its former central rate of DM2.95 in the ERM.

Pressure on sterling was exacerbated by continuing uncertainties about how the UK intends to operate economic policy after the debacle of ERM suspension.

The prospect of higher borrowing costs next year would raise further doubts over Mr Lamont's future as chancellor. He already faces an uphill task in persuading party activists next Thursday, when he is due to deliver his set piece conference speech, that the government still has a coherent economic strategy.

As the mood of concern about the economy spilled over to equities, the FT-SE 100 index of leading UK shares slipped 22.6 for a close of 2,549.7. The fall in prices on the London market was helped by a decline on Wall Street, where in early afternoon trading the Dow Jones Industrial Average was quoted at 3,216.01, down 38.36.

Elsewhere in Europe the effect of the lack of movement on German interest rates added to pressures on some of the weak ERM currencies, particularly the Portuguese escudo and the Irish punt. The Bank of Spain was forced to increase its daily intervention borrowing rate from 13

Continued on Page 24

Battle lines drawn for Commons debate on Maastricht

By Alison Smith and Philip Stephens

TORY Euro-sceptics yesterday took up the challenge offered by Mr John Major's determination to ratify the Maastricht treaty by pledging a war of attrition against the government once the legislation returns to the House of Commons.

As the Labour party signalled that it would oppose any move by Mr Major to "guillotine", or limit discussion, on the legislation, the Euro-sceptics promised an avalanche of amendments as part of a wrecking campaign.

Some will demand a referendum while others will aim to qualify ratification of the treaty by demanding additional parliamentary approval if it results in the transfer of powers to Brussels.

The prime minister's move to re-assert his authority over the subject of Europe marked the start of a protracted tactical battle between government whips and the rebel MPs over the legislation.

The first encounter will be the planned debate on the principle of ratification later this month. That will be followed around the turn of the year by the much lengthier line-by-line debate.

As Mr Major worked yesterday on his speech to the Conservative party conference next Friday in Brighton, ministers stepped up the offensive to rally all but the hardened Euro-sceptics behind his stand. The whips meanwhile were promising what one admitted would be a "ruthless" campaign to isolate the opponents.

But the Tory rebels were cheered by Labour's commitment to fight any government attempt to curtail debate. Mrs Margaret Beckett, the party's deputy leader, said yesterday that it would be "outrageous" for ministers to try to impose a guillotine on debate.

There were signs that the Lib-

Continued on Page 24
Major defiant, Page 7
Quiet alliance marred, Page 8

Big drop in house prices blamed on £ crisis

By Andrew Taylor, Construction Correspondent

HOUSE prices staged their biggest monthly fall for almost a year in September, according to Nationwide, Britain's biggest building society.

It blamed the sterling crisis and the ending of stamp duty concessions in August for the decline.

Average prices fell by 1.4 per cent in September compared with the previous month, Nationwide said. The previous biggest monthly fall was 2.4 per cent last October.

It was the fourth month in succession that prices had fallen, the society said. The rate of decline, however, had reduced over the summer and prices appeared to be stabilising.

According to Nationwide, on average house prices have fallen by more than 6 per cent in the last 12 months. In parts of southern England prices have fallen by more than 30 per cent since 1988/89.

Mr John Wriglesworth, housing market analyst for UBS Phillips & Drew, said that even taking into account special factors, last month's fall was deeply disappointing. He said: "Every time prices decline people stay out of the market believing that prices may fall further. The more they stay out the more likely it is that prices will fall."

Mr John Hutchinson, Nationwide's corporate strategy director, said the turmoil in currency and interest rate markets meant that September was not a good guide to longer term price trends.

The ending of the stamp duty holiday on August 19 for houses costing less than £250,000 meant that many people had brought purchases forward "leaving a vacuum in September".

The response of potential housebuyers has been very mixed in the two weeks since Britain announced sterling's suspension within the ERM, say estate agents.

Mr David Goodchild, associate director of Aitchisons estate agents in south Hertfordshire, said: "In Watford and Berkhamstead there has been a sharp increase in people wanting to view properties. In Hemel Hempstead and St Albans, close to Hatfield where British Aerospace has just announced 3000 redundancies, the market remains as depressed as ever."

Wreaking havoc, Page 9

President George Bush returns to the White House on Thursday after spending the night at Camp David. Just one month away from the US presidential election, Mr Bush and Governor Bill Clinton, the Democratic challenger, have agreed to hold three televised debates between October 11 and October 19. Democrats hold their breath, Page 3; US economy, Page 24

Top staff sacked at Canary Wharf

By Vanessa Houlder and Robert Peston

CANARY Wharf's chief executive and 33 of its senior staff were made redundant yesterday, four months after the east London office project went into administration.

The redundancies, which are seen as a cost-cutting exercise, have come during a critical period for the Docklands scheme. They follow last week's breakdown of bid talks with a consortium which was likely to retain the project's senior management.

They also follow an offer this week by the project's bankers to contribute £395m over 25 years to the costs of the Jubilee Line underground extension. The administrators expect the government to take several weeks to reach a decision on the extension, which will be crucial to the future of the project.

The redundant chief executive, Mr Michael Dennis, who masterminded the construction of the 4.5m sq ft office complex, yesterday underlined his backing for Canary Wharf: "Even after it went into administration a number of us stayed on because of our attachment to the project.

"We remain hopeful that the government will accept the administrators' offer [of a contribution towards the Jubilee Line extension], build the Jubilee Line and help make a success of Canary Wharf," he said.

Mr Stephen Adamson, a partner of Ernst & Young who is a joint administrator, said: "The redundancies are regrettable but we have retained the essential strengths of the O&Y team to enable us to progress successfully with our strategy."

The redundancies are expected to cut £2.5m from O&Y's annual payroll of £6m. Administration costs are thought to be running at £1m a month, half of which are the administrators' fees.

Three directors, Mr Robert John, a former director of County NatWest, Mr Peter Dale and Mr Charles Young, were also made redundant. The other redundancies included heads of departments and senior legal staff.

A total of 281 staff remain at Olympia & York Canary Wharf including directors Mr Robert Spiers and Mr Gerald Rothman. The administrators said that the 200-strong estate management team would remain intact.

The administrators said that talks with potential bidders would resume on a positive decision on the Jubilee Line by the government.

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr60; Bulgaria Lv25.00; China Fec 12.0; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16; Hungary Ft162; Iceland IKR180; India Rup20; Indonesia Rp3,800; Israel NS5.50; Italy L2500; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.600; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.50; Morocco Dh13.00; Nigeria Naira20.00; Netherlands Fl3.60; Norway Nkr15.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc180; Qatar QR12.00; S Arabia Ris11.00; Singapore S$4.10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3.00; Syria SyP50.00; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L6000; UAE Dh10.00; USA $1.25 (Alaska & Hawaii $1.75)

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NEWS: INTERNATIONAL

☐Solchaga outlines plan to save EMS ☐Schlesinger defends policy ☐France may face further economic squeeze

EC states should pool foreign reserves, Solchaga proposes

By Peter Bruce, Tom Burns and Andrew Gowers in Madrid

EUROPEAN Community member states should consider pooling their foreign exchange reserves as part of an urgent package of measures to save the European Monetary System, Mr Carlos Solchaga, Spain's economy minister, said yesterday.

Mr Solchaga said: "The system is almost absolutely broken. Interest rates are so high that they cannot last for long without creating real problems for economic recovery."

The search for agreement needed to begin before the EC summit in Birmingham on October 16, he said, despite the problems created by increasing political and personal rancour between EC governments during the currency turmoil.

He outlined three steps to restore market confidence in the exchange rate mechanism:

- A review of the credibility of the existing currency grid. He said he was not formally calling for another realignment of ERM parities but informal discussions should take place in the next few days about the wisdom of such a move.
- The creation of a "multilateral European fund of reserves", a pooling of central bank reserves, which would be administered jointly to defend agreed currency parities within the ERM. This, he said, could ease pressure on the Bundesbank, whose recent interventions in support of other currencies has inflated the German money supply.

He said some central banks had almost no reserves left. "We need to restore the level of reserves in the system." Spain has the second highest currency reserves in Europe after the Bundesbank.

- A general agreement to reduce interest rates across the EC.

Mr Solchaga's suggestions will not be welcomed by all his EC colleagues, many of whom are struggling to keep the structure and management of the EMS off the summit agenda. But they reflect Spain's deep anxiety to restore confidence in its own economic management after the 5 per cent devaluation of the peseta two weeks ago and its decision to reintroduce capital controls temporarily.

Spain is worried that without at least an informal agreement to consider changes in the ERM within days, the currency market turbulence will intensify in the run-up to the Birmingham meeting, with the weaker currencies coming under further speculative attack.

"In the absence of a global solution, everyone will look for individual solutions," he said. "But there are no individual solutions if there is not global credibility." While recognising that German rates could not be cut in current circumstances, he said this would be possible in the event of a general realignment.

"We have done a lot of damage to the European Monetary System in the last few weeks and without it it will be impossible to proceed to the second phase [in January 1994] of monetary union," he said.

Mr Solchaga expressed surprise and some irritation at recent reported comments by his "good friend", the German finance minister, Mr Theo Waigel, suggesting that a group of "hard core" EC currencies could move quickly towards fixing their parities. "I don't understand why he is doing this. These comments are dangerous, and it would be better not to make them."


Carlos Solchaga: "no individual solutions"

French banks seeking base rate rise

By William Dawkins in Paris

PRESSURE is growing from French banks for a rise in base lending rates, to stave off the losses they will soon incur as a result of the recent sharp increase in their own cost of capital.

The banks are squeezed because the interest rate on a big source of funding, the overnight money markets, more than doubled 10 days ago, in the wake of the currency crisis. But commercial banks have kept base rates unchanged, thanks to an unspoken agreement with the government to do their best to insulate the domestic economy from the worst of the crisis.

Yesterday, French banks were paying 12.5-14 per cent for call money in the market, well down on the more than 25 per cent at which rates peaked earlier this week. The fall is due to the Bank of France's decision to inject more liquidity into the markets, to relieve pressure on commercial banks.

Even so, call money rates were well over the three-month rate at which commercial banks lend on to big business customers and compares with the 10 per cent they were paying for overnight money before the crisis hit. The spread over base rates of 9.85 per cent is even more ruinous.

"We think the crisis will be limited in duration, and we want to limit the damage to companies, so we are prepared to hold base rates," said Mr Jean-Pierre Bordereau, director of state-owned Crédit Lyonnais' balance sheet department. But he added that if the crisis lasted for more than two more weeks, "we will need a rapid and large rise in base rates."

Other observers fear it take only a week.

"For the past week or so, the banks have been financing the French economy at a loss. We cannot last like that for a very long time," said the Association Française des Banques.

How long the French banks can survive without a rise in base rates depends partly on whether money market rates continue down and partly on banks' ability to find cheap sources of funds off the money markets, mainly from their own reserves and deposits.

Here French banks are more vulnerable than some of their international competitors, because they have all seen their deposits eroded in recent years by the success of their own money market funds, similar to unit trusts, which with the help of favourable tax treatment have attracted fortunes away from customers' current accounts.

At present FFr1,203bn (£141bn) is invested in these funds – Sicav monétaires – by individuals as well as by small companies seeking a good return on their cash balances.

Anecdotal evidence says the largest banks have responded to the crisis by withholding or delaying loans, because they are so closely monitored by the government that they are afraid to lift lending rates. Smaller, less closely monitored banks have discreetly lifted rates for individual customers. Some corporate borrowers have reacted by cashing in their Sicav units with the banks, so adding to the banks' own requirements for capital, which they may have to seek on the money markets.

Any bank with a wide retail network and heavy customer deposits will be relatively well placed to ride out the crisis. This includes co-operative banks, like Crédit Agricole with its more than 8,400 branches, and to a lesser extent the leading retail banks like Crédit Lyonnais, Banque Nationale de Paris – which says it has managed to keep going by lending from its own cash – and Société Générale.

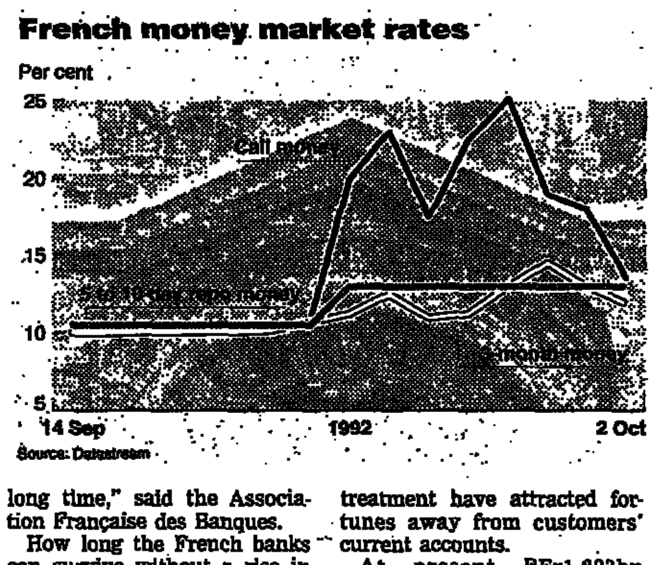
Banks with small retail networks are likely to be more reliant on borrowings for capital needs, and therefore more sensitive to money market rate rises. A prime example is the Banque Française de Commerce Extérieur, as well as pillars of the French banking industry like Suez and Paribas.

All this presents the government with a difficult choice. It can either lower the Bank of France's official intervention rate, which influences market rates, at the risk of provoking another run on the franc. Or it can leave rates as they are, at the risk of further throttling the economy, just six months before a general election.

Mr Jean-Pierre Soisson, a centrist former cabinet minister, made a comeback in France's Socialist-led government yesterday, taking the sensitive Agriculture Ministry in a minor cabinet shakeup triggered by the departure of two ministers for the Senate, Reuter reports from Paris.

President François Mitterrand appointed Mr Martin Malvy, the government spokesman, as budget minister. Outgoing agriculture minister Louis Mermaz replaced Mr Malvy as minister for relations with parliament and government spokesman.

French money market rates



Source: Datastream

Swedish credit rating in balance

By Robert Taylor in Stockholm

SWEDEN was yesterday placed on the review list for future possible downgrading by Moody's, the New York international credit agency.

At present the country has a foreign currency debt rating of AA1, the second highest possible.

The announcement came as Sweden's Central Bank cut its overnight lending rate to the country's commercial banks from 24 per cent to 20 per cent, in a further step designed to calm the markets in the aftermath of the week's all-party crisis package to reduce Sweden's industrial costs.

Short-term market interest rates also fell yesterday.

The Central Bank also revealed in its latest weekly report of capital movements that SKr15.1bn (£1.6bn) of capital flowed out of Sweden during the last six days of September.

This provided the sombre background for the second package of austerity measures in a fortnight to be agreed between the government and the main Social Democratic opposition.

Moody's said that there were several factors behind its decision to place Sweden on its review list.

It pointed to the likely slowdown in the country's economic stabilisation and reform programme because of the increased weakness in the European economy, its sluggish growth, which was likely to strain the financial position of various economic sectors and of the government, and Sweden's relatively large external debt, which might "prove a heavier burden in the context of more volatile exchange markets".

The credit agency acknowledged that the recent all-party economic agreement would strengthen the credibility of the country's anti-inflation policy, but it added that a strong krona policy could prove to be a costly one.

Moody's review of Sweden would therefore "focus on the policy's sustainability". It added that "a de facto krona appreciation vis-à-vis Sweden's major trading partners would have a negative effect on growth in the near future."

Schlesinger airs public relations skill

By David Waller in Schwerin

THE Bundesbank president's Bavarian charm was not entirely lacking yesterday.

Asked by a reporter from England whether he had given thought to strengthening the central bank's public affairs activities after the misunderstandings of recent days, Mr Helmut Schlesinger quipped: "Am I to take this as an application for a job in our public relations department?"

His comment came after the bank's press conference, at which he was, however, pointedly subdued.

He made no direct mention of the controversy over the Bundesbank's own role in the currency market upheavals of recent weeks, at least during the formal part of his speech.

When asked about it afterwards, he referred questioners to the bank's statement of Thursday calling for calm and the resumption of "trusting" relations with London.

He devoted a large part of his speech to an assessment of economic conditions in the former East Germany.

As always, he was at his happiest discussing technical matters.

He feigned complete ignorance when asked to respond to a question in English about recent events, saying that he had read and heard so many words in English recently, which he simply had not understood, that he had no wish to say anything in this language.

Alluding to his surroundings in the 19th-century castle at Schwerin, which used to be the seat of the dukes of Mecklenburg, he said he could not speak English here as "up until two years ago English was not everybody's second language", and he wanted local people to understand what he was saying.

The core of his speech was devoted to a defence of the Bundesbank's interest rate policy.

He said the council yesterday had decided that there would be no lowering of interest rates under present circumstances, repeating the view that domestic circumstances gave no scope for an easing of interest rate policy.

He insisted, however, that German interest rates were not as high as often perceived, particularly long-term interest rates.

He said that interest rates on long-term government bonds at around 7.5 per cent were actually lower than before German unification and that these rates were no higher than the average for Germany over the last 25 years.

Moreover, only three other countries had lower long-term interest rates – Japan, Switzerland and the US. "Really, our interest rates are not so high as often portrayed."

He also pointed to the fall in money market rates over the last month, saying that at just below 9 per cent the overnight money market rate was 0.8-0.9 percentage points lower than at the beginning of September.

He said he was satisfied with the current orientation of monetary policy.

The aim was to keep money market rates below 9 per cent in order to encourage a reversal of the massive flows into the D-Mark over recent weeks.

The inflows had amounted to DM92bn (£37bn) in September; but with rates at current levels there had been a noticeable but as yet unquantifiable outflow in the last week.

Asked whether he had considered resigning before his term expires next summer, Mr Schlesinger said "No – why should I so long as God grants me good health and I retain the trust of my colleagues?"

It was all very low-key. Indeed, the Bundesbank's presence in the town of Schwerin yesterday provided less excitement than the preparations for today's German unity celebrations. Tents were being erected everywhere and portable loos brought in by the lorry-load.

The output of western German industry recovered by 1.5 per cent in August after five months of steady decline, according to the latest government statistics, writes Quentin Peel from Bonn.

The seasonally adjusted monthly figure was not enough, however, to offset an overall decline in the year-on-year figure to July/August 1992 of 1.2 per cent.

There was a 1.0 per cent cut in output in both electricity and gas supplies, and in the mining industry, in August.

Amoco wins Polish oil exploration concession

By Christopher Bobinski in Warsaw

POLAND yesterday granted its first post-war exploration concession to Amoco, the US petroleum company, which is to spend $20m (£11.2m) on looking for oil and gas south of Warsaw and east of Lublin, near the former Soviet frontier.

The deal, covering rights to 10,000 sq km, arises from a contract signed in 1989 for Amoco to do a survey based on what was known of Poland's domestic energy resources.

It comes in the midst of tendering by other foreign companies for oil exploration rights to a further 35,000 sq km of the country. A tender has also just closed for coal bed methane gas exploration; six foreign companies, including Amoco, applied.

Poland is dependent on supplies of Russian gas for two-thirds of its 13bn cubic metres annual consumption, while almost all its oil is imported from Russia and the Middle East.

Natural gas reserves are now put at 170bn cu m, while as yet undocumented resources are estimated at 630bn cu m.The World Bank has granted the state a $250m loan for the development of the gas industry while the European Investment Bank has provided $60m.

- Russia's top corruption fighter yesterday accused crooked western businessmen of siphoning off three-quarters of the profits due to his country from its dwindling sales of oil abroad, Reuter reports from Moscow.

Mr Mikhail Gurtovoy, who heads a government anti-corruption team, said Russia, pushed by its need for foreign investment in the energy sector, had let in a "swarm of petty crooks" from abroad when it allowed foreign and Russian companies to set up oil-producing joint ventures.


A non-union worker scuffles with unionists in San Giovanni Square, Rome, during yesterday's protest

Twenty hurt as Italian union protest turns violent

By Robert Graham in Rome

ABOUT 20 people were hurt yesterday when a protest demonstration by Italy's three main trade union confederations against the Amato government's economic policy degenerated into violence.

The violence was provoked by a small group of militant trade unionists and their supporters who sought to break up an open-air meeting at the end of a march through the streets of Rome. Police used tear gas to disperse the crowd and prevent scuffles between the marchers and those trying to disrupt the meeting.

The violence appears part of a pattern that has emerged since the unions initiated a series of regional four-hour general strikes on September 22 to protest at proposed cuts in pensions and the health service. Small groups have hurled insults, coins and vegetables at union leaders who, they claim, have sold out and no longer represent grass-roots interests.

These incidents have underlined the potentially dangerous strategy which union leaders have embarked on by calling mass protests. Yesterday, in addition to the general strike in Rome and the Lazio region, there was a day-long stoppage by Italy's 3.5m public-sector employees which paralysed ministries and disrupted the airports.

The CGIL, the largest trade union confederation, formerly dominated by the now defunct Italian Communist party, is pressing for a general strike against the austerity measures proposed in the 1993 budget, and to force the government to renegotiate an outline agreement signed in July ending the system of indexed wages. But the other two confederations, the CISL and UIL, have refused to commit themselves, conscious that they could alienate public support at a time when the country faces financial instability.

In contrast to these protests, Thursday's presentation of the 1993 budget was favourably received in the press, and there were signs in parliament that the four parties in the coalition government had accepted that few substantive changes could be made without undermining the credibility of the whole package.

Mr Piero Barucci, the treasury minister, said the special stand-by facility which Italy on Thursday sought from the EC, would not be more than L17,000bn (£7.7bn). But he added the precise amount had yet to be agreed. The lira yesterday remained weak, floating at around 880 against the D-Mark.

BAOR becomes ARRC

By David White in Bielefeld, Germany

THE fighting part of Britain's Rhine Army yesterday donned a new identity as the leading element of Nato's new, multinational rapid reaction corps.

The corps, involving forces from 12 of the 16 allies, is the centrepiece of a new strategy designed to retain Nato's relevance after the Cold War.

The corps is to be fully formed by 1995 and able to deploy up to about 80,000 troops.

Its purpose is to keep a nucleus of soldiers at a state of readiness similar to that of Nato forces previously.

Mr Manfred Wörner, Nato secretary-general, spoke of the corps at its inauguration as the "strong arm" of Nato. Although its primary function was to defend Nato territory, parts of it could in future be used further afield, for instance in peace-keeping.

At yesterday's ceremony, the 1st (British) Corps – based in Bielefeld for the last 39 years – was placed in "suspended animation". Its last commander, Lt-Gen Sir Jeremy Mackenzie, takes over as first commander of the new Nato corps, known as the ARRC.

The strains of Deutschland über Alles played by a German army band echoed across the parade ground of a one-time Wehrmacht camp lined with contingents from Nato's variegated armies – kilted Highlanders, pith-helmeted English bandsmen, lance-carrying Italians and blond-haired Danes.

Even the noises betrayed national distinctions – the near-silence of German soldiers marching in rubber boots, contrasting with the thundering footfall of a platoon of exceptionally tall and forbidding Turks.

The British Army, which is making the biggest contribution to the corps and will account for 60 per cent of its 300-strong headquarters staff, sees the corps as a means of keeping itself in the military front rank.

With the inauguration of the new formation, the British army sheds many of the connotations of an occupying force, which have lingered on since the 1944 invasion.

In early 1994, the Nato corps is due to transfer to the present headquarters of the British Army of the Rhine at Rheindahlen, 100 miles to the south-west. The BAOR will then cease to exist and become instead UK Support Command (Germany).

"It doesn't exactly trip off the tongue, does it?" commented a senior British officer.

Sarajevo airlift resumed

By Laura Silber in Zagreb and Robert Mauthner in London

THE United Nations will today resume the humanitarian airlift to Sarajevo, suspended exactly a month ago after an Italian relief aircraft was shot down.

The resumption of the airlift comes amid mounting international concern for the fate of hundreds of thousands of people in Bosnia who may not survive the winter.

Two US aircraft are due to fly food and medical supplies to Sarajevo from Germany. They will return to Zagreb, the capital of Croatia, and fly in more humanitarian aid from there to some 380,000 people trapped in the Bosnian capital, said Mr Michael Keats, a spokesman for Zagreb office of the UN High Commissioner for Refugees [UNHCR], yesterday.

France has also announced it will rejoin the international airlift, sending two aircraft to Sarajevo from Split, the Croatian port city. UNHCR officials said the combined effort could bring as much as 60 tonnes to the battered city besieged for nearly six months by Serb forces.

The mission will be the first since September 3, when aid flights were suspended after an Italian aircraft was shot down south-west of Sarajevo over mountains controlled by Croat and Moslem forces.

Both Britain and Germany said that they would not participate in the resumed humanitarian airlift for the moment.

A Ministry of Defence official in London said that the safety of British aircrews was involved and that it was up to Britain to take its own decision on whether to participate in the flights. Such a decision would be taken on the basis of information on the risks of the operation given by British military personnel in Bosnia and after talks with other nations involved in the airlift.

In Bonn, a German Ministry of Defence official said Germany was unlikely to restart its humanitarian airlift to Sarajevo until mid-October. "We are still in the process of fitting electronic [weapon detection] devices into our aircraft," he said.

George Graham adds from Washington: The US administration is leaning towards accepting a "no fly" zone in Bosnia-Hercegovina, but appears reluctant to do much to enforce it.

Mr Lawrence Eagleburger, the US acting secretary of state, acknowledged this week that there was a split within the administration over the question, but said he expected a decision shortly.

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Itamar Franco: surprise selection of finance minister left markets in shock

Interim president's first actions send shock waves through financial markets

Choice of unknown minister stuns Brazil

By Christina Lamb in Brasilia

MR Itamar Franco took office as interim president of Brazil yesterday announcing a 90-day emergency plan to combat inflation and naming a finance minister whose appointment sent shock waves through the financial markets.

The surprise choice of Mr Gustavo Krause, a little known congressman from Brazil's north-east, to run the world's ninth largest economy, left businessmen and traders in the financial centre of Sao Paulo apoplectic and put paid to the euphoria caused by Tuesday's congressional vote to impeach President Fernando Collor.

The main Sao Paulo index fell 7 per cent on the news, closing at lunchtime 5.8 per cent down.

"In a crisis like this to name someone so mediocre is irresponsible to say the least," says Mr Roger Wright from Banco Garantia, "frankly speaking it could not be worse."

Mr Krause's profile differs radically to that of his respected predecessor Mr Marcilio Marques Moreira. A banker and former ambassador to the US, Mr Moreira won acclaim for bringing some stability to the economy and returning Brazil to the international financial community by securing accords with the International Monetary Fund, the Paris Club and creditor banks over its $44bn commercial debt.

Mr Krause is a lawyer and politician from the Liberal Front (PFL) whose only experience is as Mayor of Recife, the capital of Pernambuco and state finance secretary.

"The charitable interpretation is that he's more of a political figure who'll employ competent technicians," said Mr Robert Barclay, head of Baring securities in Brazil.

Mr Franco had been widely expected to name a well known businessman or politician from the south of Brazil where the country's wealth is concentrated. However the leaders of the wide coalition of parties supporting him could not agree on a name and after two days of bickering finally left the choice to Mr Franco.

Mr Krause faces the immediate tasks of tackling inflation which this week hit 25 per cent a month, and renegotiating an agreement with the IMF, a task made harder by his complete anonymity outside Brazil. Brazil has consistently failed to meet targets of the accord signed in January and a new accord is essential for the completion of a full agreement over its commercial debt.

He will share the economy ministry with Mr Paulo Haddad, the new planning minister. Mr Haddad is an economist from Mr Franco's home state.

Yesterday Mr Haddad unveiled a 15-point 90-day plan to combat inflation and restart economic growth. Guaranteeing there would be no shock plan or price freeze, he called for fiscal reform and a social pact. He dashed business hopes of a reduction in interest rates from current levels of 33 per cent a month saying this would be "extremely dangerous while inflation is so high". Instead he hopes to negotiate a reduction in interest rates and an increase in government investment in return for commitments to maintain jobs and stabilise prices.

The negative reaction to the new economics team is an unfortunate start for Mr Franco, who assumed office yesterday, promising no corruption in his government.

Earlier in a tense ceremony, his disgraced predecessor was presented with senate papers stripping him of his powers and half a ton of documents implicating him in corruption. Mr Collor's signature of receipt brought a tragic end to the career of the man who took office amid so much hope 30 months ago, as Brazil's first elected president for 30 years.

Booed as he left the presidential palace in the public elevator, Mr Collor now has 20 days to present his defence before the senate which will judge him on crimes of responsibility within the next 180 days. Theoretically Mr Collor could return if found innocent but the prospect is unlikely.

Japan sees record trade surplus

By Charles Leadbeater in Tokyo

JAPAN'S current account surplus rose by $7.1bn (£4bn) in August, up 28.2 per cent on the previous August and the largest surplus ever recorded for the month.

The surplus this year to August is $73.1bn, a rise of nearly 85 per cent against the same period last year.

The rise in the surplus, combined with the stagnation of the domestic economy, is likely to intensify political infighting among the economic bureaucracy, industry and politicians over economic policy.

The Ministry of Finance and the Bank of Japan will use the figures to support their argument that the yen should appreciate gradually against the US dollar to choke off the surplus.

Mr Noboru Hatakeyama, vice minister for international affairs at the Ministry of International Trade and Industry said a rate of Y118 to the dollar was appropriate, given the size of the surplus and Japan's low inflation record. The dollar closed in Tokyo slightly weaker at Y119.40.

However the chorus of industrialists who complain that a stronger yen stifles export growth will use figures showing a marked deterioration in the labour market to justify their call for intervention to restrain the yen.

The labour market figures show there are only just enough jobs being created to satisfy demand from people looking for work.

Although the unemployment rate did not rise in August from July's 2.2 per cent, the introduction of recruitment freezes in most companies will push up unemployment in the months to come.

The pressure for further government action to stimulate the economy, in addition to the Y10,700bn emergency package already announced, is focusing on calls for income tax cuts.

But Mr Tsutomu Hata, the finance minister, yesterday rejected calls from some in the ruling Liberal Democratic party for tax cuts next year to be financed by a rise in consumption taxes.

The sharp rise in the current account surplus from August last year was largely due to a 15.2 per cent increase in the trade balance to $9.5bn last month compared with the same month in 1991.

This was a reflection of depressed demand for imports, which rose by only 0.4 per cent to $16bn and a rise in the value of exports.

Export volumes fell by 3.5 per cent. But the strength of the yen against the dollar, which was 7.9 per cent down on its value in August last year, pushed up export prices to produce a 5.4 per cent rise to $25.5bn.

Ross Perot with his wife Margo announcing his re-entry to the race, a move likely to enliven the remaining weeks of the election campaign

Peres wins closer Israel-EC trade ties

By Lionel Barber in Brussels

MR Shimon Peres, the Israeli foreign minister, yesterday won EC support for closer economic ties with the Community and an updating of the 1975 bilateral trade agreement.

After talks with European Commission President Jacques Delors in Brussels, Mr Peres expressed hope for a fresh start in relations between Europe and the Middle East, with the possible formation of a Middle Eastern common market along EC lines. He said: "We would like to structure the region in a way that the motive for war disappears, we would like to copy the structure of the EC."

He repeated his call for a summit with Syria to push forward negotiations on the Golan Heights, but he said the prospects were not promising.

Perot's running mate, Admiral James Stockdale

Democrats hold their breath as Perot returns to the fray

By George Graham in Washington

JUST one month away from the US presidential election, the campaign had settled into a pattern that appeared to open the way for Governor Bill Clinton, the Democratic challenger, to build state by state on his lead over President George Bush, the Republican incumbent.

The return of Mr Ross Perot to the race, together with the emergence of an agreement on when and where to hold televised debates between the candidates, offered at least the prospect of something to break the pattern.

Many Democrats are still holding their breath, remembering their party's astonishing capacity for losing presidential elections. Yet the dynamics of the race have been moving inexorably in Mr Clinton's favour, and the Republicans are fervently praying that the uncertainty created by Mr Perot and by the debates could shift the odds Mr Bush's way.

Realistically, neither Mr Perot's announcement on Thursday that he would re-enter the campaign he quit in July, nor the proposed three debates to be held between October 11 and October 19, has more than an outside chance of significantly altering the outcome of the November 3 election.

Mr Perot has come a long way from the heady days of early summer, when opinion polls showed him leading both President Bush and Governor Clinton. Today, according to a CNN-USA Today poll, the Texas billionaire would score only 7 per cent in the election, compared with 35 per cent for Mr Bush and 52 per cent for Mr Clinton.

Perhaps more significantly, 72 per cent of those questioned in the poll said there was no chance they would vote for Mr Perot. The results were scarcely more encouraging for the president, however, for 48 per cent said there was no chance they would vote for him, while only 32 ruled out voting for his Democratic rival.

As for the debates, only that between Kennedy and Nixon in 1960 is widely credited with making much difference; even then, however, Kennedy merely cemented an existing lead in the opinion polls.

Mr Perot, who has bought half-hour national television advertisements next week, seems likely to join the debates, and his twanging one-liners could well draw the limelight away from the two main candidates.

Nevertheless, it would take a substantial blunder during the debates by Mr Clinton for them to have much impact on the result of the election on their own.

Even with Mr Perot in the race, Mr Clinton has rock-solid leads in 16 states, including California, New York and Illinois, which carry great weight in the electoral college; President Bush, on the other hand, can count only on Indiana and Utah.

With time fast running out, Mr Clinton can, therefore, concentrate on good prospects such as Ohio, Michigan and Pennsylvania, and even keep Mr Bush on the defensive with forays into once firmly Republican states such as Texas and Florida.

So far so good in Angolan election

International supervision has created a climate of reconciliation now to be put to the test, writes Julian Ozanne

PRESIDENT Jose Eduardo Dos Santos was still narrowly leading his opponent, Mr Jonas Savimbi, leader of the rebel Unita movement, as counting continued last night in Angola's first free elections.

The war-shattered country is in the midst of a 16-month historic transition from civil war to peace and democracy. The critical moment comes in the next 48 hours, when one of the warring sides must accept defeat.

International observers, who are satisfied the polling was free and fair, say the success of the transition has left little room for either side to manoeuvre.

Observers yesterday poured praise on the civic responsibility, tolerance and self-restraint exercised by Angolans during polling, and on the professionalism of the National Electoral Commission. But the international community also deserves credit for helping to fund the process and create a climate of confidence and national reconciliation in a society deeply scarred by civil war.

The international role in Angola's peace process, costing about $250m (£140m), is certain to provide lessons for transitions in other war-ravaged African countries such as Mozambique, where talks on a ceasefire agreement were continuing in Rome yesterday.

Even six months ago few observers believed the process could stay on track and get as far as the elections. The formidable obstacles included deep suspicion and hostility between the MPLA government and Unita, the many weapons in the country, and the logistical constraints of working in a country the size of France, Spain and Germany combined, which has never before held elections and where the infrastructure is in ruins.

The critical input by the United Nations and the international community has been to create confidence for both sides and for the people of Angola and to provide an impartial and objective authority to resolve disputes.

"At some time we've been accused of being pro-MPLA by Unita and pro-Unita by the MPLA, so we must have been getting it right," says Miss Margaret Anstee, the special representative of the UN secretary general and the head of the $120m UN operation known as Unavem II.

"The process has stayed on track despite several violent incidents which could have blown up."

Critics have said the UN operation was vastly underfunded and under-resourced, especially compared to the transition in Namibia. But Miss Anstee says the UN mandate in Namibia was to organise and control the peace process and elections, whereas in Angola the mandate was merely to observe the process being undertaken by both sides.

The greatest problem has been logistics such as air transport, vehicles and communications. "Anstee pushed very hard and very successfully from the beginning for bilateral support for logistics and it is hard to see how things would have gone any better with more money," said a western diplomat.

The UN-monitored peace process has had two basic elements – political and military. On the political front, the voter registration campaign was successful, registering 4.86m voters out of a population of about 10.5m. Although an estimated 300,000-400,000 voters were not registered, observers agree the exercise exceeded expectations.

The second vital part of the peace process was observing the elections themselves.

The UN provided 400 observers and assisted in an internationally-funded $10m airlift operation which flew 25,000 people in 320 flights from remote areas to polling stations.

On the military side, 350 UN military observers have monitored the ceasefire and supervised the confinement of troops to assembly areas, the collection and disposal of weapons and the demobilisation of 150,000 troops, which was supposed to be completed before the elections. Demobilisation went much slower than expected, with only about two thirds of the 150,000 ex-soldiers demobilised so far. Part of the problem has been that both sides, but especially Unita, have kept back troops and the best weapons as an insurance policy in case the process was derailed.

The second strand of the military process has been forging a new 50,000-strong unified army, navy and air force out of Unita and the MPLA. This is being assisted by Britain, Portugal and France. Last Monday, the new joint military high command of the new army was sworn in at a ceremony in Luanda and at least 8,800 troops have undergone western-supervised training courses in new military academies.

The British have spent £1.7m on practical support such as mine clearance, signals equipment, refurbishment of a barracks at Uige and technical advice on logistics, maintenance and restructuring the Ministry of Defence.

Both the demobilisation and the formation of a new army have fallen short of the ambitious targets set in the peace accords, but almost all observers say what has been achieved, given the logistical and political constraints, has been remarkable.

The risks of the process falling apart now rest on the reaction of both parties to the election result within the next two days. But the success of the efforts of the international community in getting this far has contributed to providing Angola with a climate for reconciliation.

NEWS IN BRIEF

Inquiry into naval accident promised

THE commander of US forces in Europe, Gen John Shalikashvili, yesterday promised an "open and quick and full investigation" into a naval accident in which five Turkish servicemen were killed in the Aegean on Thursday night, write David White in Bielefeld, Germany, and John Murray Brown in Istanbul.

The aircraft carrier USS Saratoga fired two Sea Sparrow missiles during a Nato exercise. At least one hit the bridge of a Turkish destroyer, starting a fire. The captain and four sailors were killed and there were 14 injuries, three of them serious.

Bank breached guidelines

Bank of America has admitted it contravened the Indian central bank's guidelines and diverted large sums of the deposits of public undertakings to securities transactions, writes Shiraz Sidhva in New Delhi. The American bank also admitted to the joint parliamentary committee investigating the Rs35bn (£717m) Bombay stock market scandal that it had offered Mr Amitabh Ghosh, a former deputy governor of the Reserve Bank of India, the chairmanship of the bank's advisory board.

Dispute over van duties

European Commission plans for 10 per cent duties on imports of Chrysler minivans from Austria could stir up a political row between Vienna and Brussels, Austrian officials warned yesterday, writes Andrew Hill in Brussels.

Austria, which is applying for EC membership, was given three weeks to cut state subsidies to Chrysler's plant near Graz, or face duties. But the Commission and the Austrian authorities could not reach agreement before the deadline.

● Ford of Europe is stopping production for five days at its car assembly plant at Valencia, Spain, in October, to reduce output in line with falling sales across Europe, Kevin Done writes. It is also reviewing production levels in Germany.

Plenty of free lunches in Kuwait campaign

By Mark Nicholson in Kuwait City

ELECTIONS are an inflationary business in Kuwait. For one thing, the cost of buying a vote has rocketed since the last poll in 1985 – and the price of sheep has doubled.

No one admits to buying votes or to having been bought, of course. But equally, everyone believes that it is happening, albeit on a small scale. By common reckoning the going rate today is anything up to KD3,000 (£6,000) a vote, against a very modest KD300 for the last elections.

"That's more inflationary than it looks," remarks one local economist, not altogether seriously, "given that there are 20,000 more voters in this election."

In Kuwait, there are just 25 constituencies, 50 seats in the National Assembly and only 81,400 voters. Whatever the truth to vote-buying accusations, therefore, it is clear that a lot of money could go a long way towards securing a candidate's election.

Most constituencies average only around 2,000-3,000 voters and the smallest, on the country's southern border, has just 896, along with five candidates and, doubtless, a delighted returning officer.

But small constituencies do not, in Kuwait at least, make for cheap campaigns. By one western embassy's calculation the *average* candidate has spent around KD160,000 on his campaign, and some probably spend much more than that, though an FT straw poll would put the average expenditure at nearer KD50,000-KD60,000. For comparison, British candidates are allowed to spend £4,330 plus an allowance of up to 4.9p per voter.

Kuwait has no election rules limiting spending or sources of funds and most candidates finance themselves. Except, allege opposition groups, some pro-government candidates. "Strange things happen," says Mr Abdulla Nibari, leader of the Kuwait Democratic Forum (KDF), a broadly liberal opposition group. "Some candidates who are known to have no wealth of their own – their expenditure is surprisingly extravagant."

But then Mr Nibari's group is campaigning on political idealism and a shoestring. He reckons the total cost of running the KDF's nine candidates will be no more than KD50,000 in total, with volunteers pitching in their time, spare telephones, portable cabins and anything else which will help.

For most candidates the money goes largely on buying newspaper advertisements, erecting the modest placards which line the streets in Kuwait City, hiring staff and setting up the Bedouin-style tents which all candidates use as campaign and rally headquarters.

Which is where the price of sheep comes in.

Most campaign tents offer some refreshment. At a modest KDF tent in the Jabria constituency, Mr Mohammed al Fadil, the campaign manager, explains that they can run only to felafel and soft drinks. "We're a bit tired of felafel after three weeks," he adds.

Less than a hundred metres up the road, however, a rival candidate, Mr Ali Omar, offers in the shade of a 60-metre-long tent a 60-metre-long buffet. Waistcoated waiters – just some of Mr Omar's 300 campaign staff, a number equivalent to 10 per cent of his constituency's electorate – preside over tables of steaming lamb and rice dishes. From a separate mini-marquee, waiters bustle back and forth bearing heavy trays of orange and grapefruit juice, Pepsi and tea.

The bigger campaigns, and Mr Omar's is not the biggest, serve hundreds of meals every night to the thousands of voters who gather to chew over the issues. And at Kuwait's main livestock market at Shuwaikh, traders are delighted.

"Business is profitable," explained one dealer who yesterday shifted 100 Syrian sheep at a mark-up he put at 100 per cent. Over the three weeks of the campaign, the price of an average sheep has risen from KD25-35 to upwards of KD60.

At least one Shuwaikh punter explained yesterday that, at KD1 a pound, he was sticking to frozen lamb until the votes were in on Monday.

Care reform funds win approval

By Alan Pike, Social Affairs Correspondent

MRS VIRGINIA BOTTOMLEY, health secretary, yesterday announced funding arrangements for next year's community care reforms which social services directors and political opponents acknowledged were reasonable in the present state of public expenditure.

She surprised delegates to the local authorities social services conference on the Isle of Wight with an announcement that, in the early years of the reforms, part of the finance will be subject to "ring fence" protection to ensure that it is spent on community care rather than on other purposes.

Next April, local authorities will become responsible for co-ordinating a policy designed to help elderly and handicapped people to remain in the community rather than have to enter institutions. Spending on keeping people in private residential and nursing homes has soared from £10m in 1979 to about £2.5bn now.

Although the position of people already living in residential homes will be unaffected, money that would have been spent on accommodating further people will be transferred from the social security budget to local authorities.

Under the proposals, English local authorities will receive £539m in community care grants in 1993-94 £399m transferred from the social security budget and a further £140m towards the start-up costs of the new system. Sums transferred in lieu of social security expenditure that would have been incurred under the existing system will rise to a cumulative £1.050bn in 1994-95 and £1.568bn in 1995-96.

The government had decided, Mrs Bottomley said, that in the crucial early years of the new policy, the new elements of community care finance needed temporary ring-fencing.

All £539m in 1993-94 will be protected. After that, protection will be restricted to the additional funds transferred from the social security budget in 1994-95 and 1995-96. In that way, ministers hope to guarantee that funds earmarked for community care are actually spent on the reforms.

Mr Toby Harris, Labour chairman of the Association of Metropolitan Authorities' social services committee, acknowledged that Mrs Bottomley had fought "a substantial battle to get the figure she has announced". The AMA believes, however, that there is a £200m shortfall in the £399m due next year arising from differences in government and AMA calculations of the rate of growth in people needing residential care.

Mr Peter Smallridge, director of Kent Social Services and chairman of the Association of Directors of Social Service, said the immediate reaction of social services directors was that Mrs Bottomley had done well to secure the proposed level of funding and protection.

The government says the £399m transferred from social security must be spent in the private and voluntary sectors. Mrs Bottomley said the reforms were not intended to become "a trigger for a great expansion of local-authority-operated services". The government hopes the funding changes will lead the private sector to open up domiciliary and day care facilities.

Phones may transmit data from ambulances

By Michiyo Nakamoto

BRITAIN'S ambulance service may be catching on to high technology.

A project run by the Department of Health's Trauma Centre based in north Staffordshire is testing the use of cellular phones to transmit heart-tracing data between ambulances and hospitals.

The trial project to use cellular phones on ambulances is thought to be the first of its kind in the UK and is part of a government-backed study to look into ways of improving communications in the ambulance service.

Ambulances in the UK now use two-way radio, which is a much less reliable form of communication than cellular telephony. When the radio link fails, ambulance crew are forced to use public pay phones.

The radio communications network is not used in the UK to transmit heart data but experiments in the US found radio communications unreliable for that purpose, says Mr Simon Davies, an accident and emergency nurse at Keele University who is participating in the project.

Cellular telephony, on the other hand, can handle large volumes of data and voice very rapidly and is much more reliable. In the US, cellular telephones are commonly used by ambulances.

The Trauma Centre's project is targeted specifically at heart attack patients. ECG heart tracing machines are installed in ambulances to read heart data which is transmitted directly to the hospital by connecting the ECG unit to a cellular phone.

The use of the cellular phone network also enables the ambulance paramedics to receive advise directly and reliably from specialists at the hospital and take speedy and appropriate action.

The high-fidelity communication between ambulance and hospital offered by cellular phones means that the patient can be directed to the nearest hospital equipped to deal with the specific case. The centre will use cellular phone supplied by Motorola of the US.

BT offers business phone discounts

By Hugo Dixon

BRITISH Telecommunications yesterday announced an improved range of discounts for business telecommunications users as part of its attempt to stem the loss of its most profitable customers to Mercury Communications, its main rival.

Business customers are being offered a cut in charges of about 3 per cent to 4 per cent from next January.

Mercury, which has concentrated on providing services to businesses, said it was committed to remaining competitive, but would not necessarily make a "knee-jerk response" to BT's move.

Business customers are likely to receive a second round of price cuts in the next few months, when BT announces annual changes in its standard charges.

The company is required by Oftel, its regulator, to cut the price of a basket of its main services by an amount equivalent to the rise in the retail prices index minus 6.25 percentage points.

Trevor Humphries

Thumbs up: John Smith acknowledges applause of the delegates at the end of the Labour conference in Blackpool

Smith demands 'full account' of exit from ERM

By Ralph Atkins

MR JOHN SMITH, opposition leader, yesterday intensified his harrying of Mr John Major over the UK's dispute with the Bundesbank.

He told the prime minister in a letter that it was unacceptable for Mr Major to try to conclude the dispute with the German central bank by "drawing a line" under it.

He said the Bundesbank's statement, published in the Financial Times this week, suggested an approach had been made to Britain over its realignment within the ERM – contradicting the Treasury's version of events.

"[The] British public deserves to know the truth about all the options considered," Mr Smith wrote. He told Mr Major it was his responsibility "to provide a full account of the disastrous events which culminated in both an estimated loss of £1bn on Black Wednesday and this country's humiliating withdrawal from the ERM".

Mr Smith reported Mr Helmut Schlesinger, Bundesbank president, as saying the Bank of England had not asked for extra help to save the pound beyond that required under the European monetary system.

Meanwhile, the Labour party, which ended its conference in Blackpool yesterday, is refusing to be explicit about its tactics when the Maastricht bill resumes its Commons stages. Although the Labour leadership backs the principle of closer European union, Mrs Margaret Beckett, deputy leader, said the party would want to examine the bill's content, particularly in the light of any changes made to satisfy the Danish people.

She said Labour would oppose attempts by the government to impose a "guillotine" on the bill – a measure restricting the time allowed for debate which is usually used to prevent filibustering by opponents.

Labour is conscious that the divide among its MPs over Maastricht is substantial, although probably not as deep as among Conservatives.

Stance on opt-out schools hardens

By Bethan Hutton

MRS ANN TAYLOR, shadow education secretary, committed herself yesterday to a much harder line on grant-maintained schools than her predecessor, Mr Jack Straw.

Mr Straw had softened the party's opposition to the opting-out of schools and had accepted that a Labour government might not be able to return them all to council control.

During yesterday's education debate on the last day of Labour's conference in Blackpool Mrs Taylor said: "We oppose opt-out in principle because it is wrong."

Other speakers pointed to the limited popularity of opting out. "They have spent millions bribing schools to opt out, but less than 1 per cent have been tempted," Ms Joanna Tait of the Socialist Education Association said.

Mrs Taylor said: "There are more schools opting out in Tory Kent and Tory Essex than in all Labour authorities put together. It is clear which political party schools want to escape from."

She led attacks on the government's white paper on education, Choice and Diversity, published this summer. "All it does is set the scene for more chaos and more centralisation," she said.

● Strong support by the conference for the unification of Ireland set back the hopes of a vociferous minority in the party who want Labour to organise in Northern Ireland, Ralph Atkins writes. The conference also called for a European dimension to talks on the province's political future.

Conference overturns leadership on defence

By Ivo Dawnay, Political Correspondent

THE LABOUR conference overturned the leadership for the fourth successive year yesterday by voting for deep cuts in defence expenditure.

The grassroots were more defiant than ever, with 4.35m votes insisting that a Labour government should cut UK defence expenditure to the average of other western European countries.

Only 831,000 voted for the national executive's recommendation to throw out the motion, confirming the strength of feeling against the £24bn defence budget.

The rebellion will have little influence on the leadership, which has consistently ignored similar resolutions in every year since 1989.

In the Thursday debate, Mr Tony Clarke for the NEC argued that the leadership was not hostile to the sentiments of the motion, but its vague wording failed to identify how the average figure should be calculated.

Speakers including Ms Debra Gold, from Hampstead and Highgate, protested that the leadership had "hidden away and disowned" its peace and disarmament policy.

The defeat was another significant upset for Labour's executive. On Thursday, the result of a card vote showed the extent of union support for their block vote.

They voted four to one for a motion endorsing the present relationship in spite of appeals from the leadership to leave the ultimate decision to a working party, due to report by Christmas.

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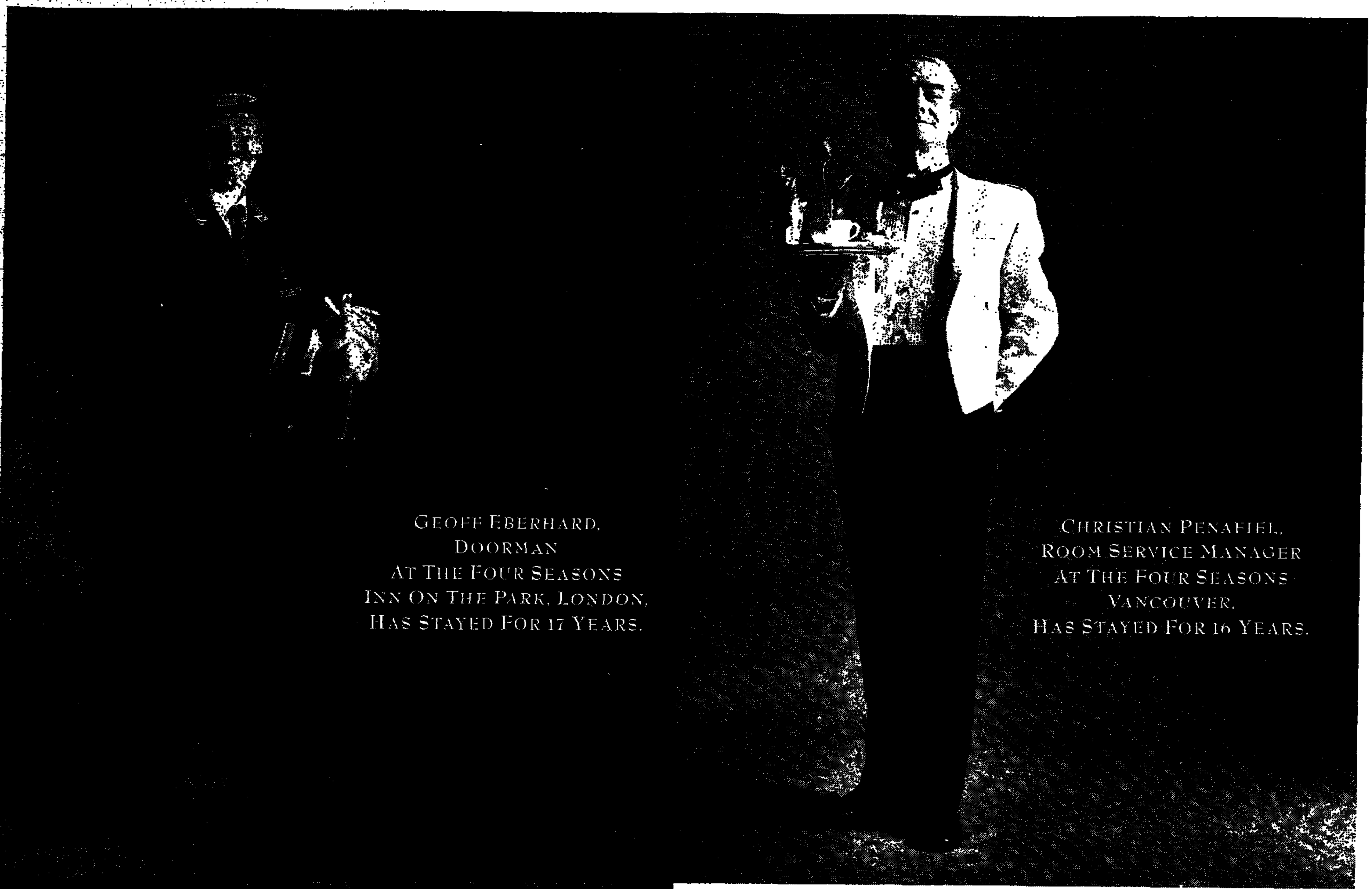

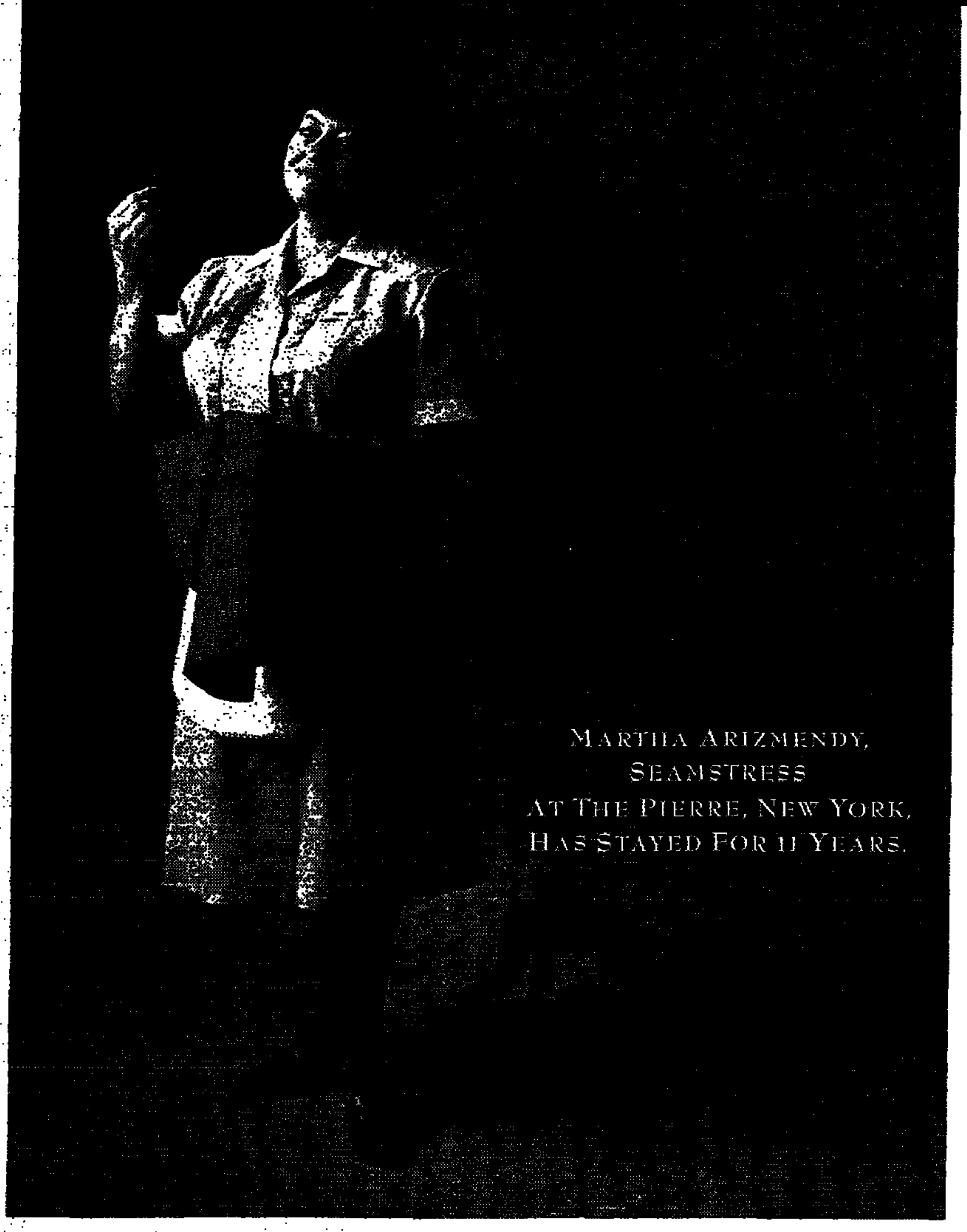

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Bank says US report on BCCI 'offensive'

By John Gapper in London and Alan Friedman in New York

THE BANK of England yesterday fiercely denied accusations by US senators that it failed to regulate the Bank of Credit and Commerce International properly, condemning part of the criticism as "misconceived and offensive".

In an unusually strong public statement, the Bank made a detailed rebuttal of charges in a Congressional inquiry led by Senator John Kerry which accused the Bank of "wholly inadequate" regulation of BCCI.

The Bank said it would not respond formally to an inquiry which it believed had employed "deficient procedures", but it wanted to deny "a number of allegations about the Bank for which there is no factual basis of any sort".

Senator Kerry's office reacted to the Bank of England's statement by saying: "Mr Kerry stands by the report."

The war of words between Congressional investigators and the Bank broke out the day after the publication in Washington of the 780-page report of a four-year inquiry by Senator Kerry and Senator Hank Brown of Colorado.

The report said the Bank had received evidence of BCCI fraud in the spring of 1990, but had "colluded in the suppression of the true facts" until the spring of last year, when it coordinated the worldwide closure of BCCI. The Bank said yesterday that to suggest it had been "even inadvertently a party to a cover-up of criminality is misconceived and offensive". It also denied entering a deal with the government of Abu Dhabi not to close BCCI.

The Bank, which initially responded to the report by saying it could not comment because it was awaiting the publication of the inquiry into BCCI supervision by Lord Justice Bingham, was highly critical of the senators' methods yesterday. "The procedures under which this investigation operated were, in the Bank's view, unjust and have led to allegations about the Bank which have no basis in fact."

The Bank denied telling BCCI's auditors Price Waterhouse to certify BCCI's accounts in 1989. The report said that Price Waterhouse would not have certified the accounts unless it had been guided to do so by the Bank.

It also disputed a central tenet of the Kerry report, that the investigation of Mr Robert Morgenthau, the New York district attorney, had triggered BCCI's closure. The Bank said it had acted independently of Mr Morgenthau's investigation.

Both the Bank and Price Waterhouse insisted that neither had given evidence or been interviewed for the Kerry inquiry. Senator Kerry's office said Price Waterhouse had been issued with a witness subpoena, and denied Price Waterhouse's claim that the committee had not responded to the firm's offer to talk to it in London.

Judge in Nadir case fails to attend

PROCEEDINGS at a preliminary hearing for the trial of Mr Asil Nadir, former chairman of Polly Peck International, were held up yesterday when Mr Justice Tucker, the judge presiding over the case, failed to appear, an event with few precedents in legal history, David Barchard writes.

The judge's place was taken by Mr Justice Pill and the court adjourned after less than an hour.

The Lord Chancellor's office said that it had been thought inappropriate for administrative reasons for Mr Justice Tucker to attend the hearing, which had been expected to consider varying Mr Nadir's bail terms, but that the judge is expected to return to later sessions of the court. He declined to give any further explanation.

Decline seen in receiverships

THE NUMBER of companies passing into receivership or administration declined for the eighth consecutive month compared with the same period last year, according to figures produced by accountants Touche Ross from the London and Edinburgh Gazettes.

Ruling against accountants

THE FIRST firm of chartered accountants to have its audit registration publicly withdrawn was announced yesterday.

Lewin Atkins & Co, of north London, will no longer be able to conduct audits after a ruling from the audit registration committee of the Institute of Chartered Accountants in England and Wales last month.

The committee would not say the grounds on which deregistration took place, but the firm is also being scrutinised by the professional conduct staff of the Institute.

VAT decision

HOLDING COMPANIES will no longer be able to recover value added tax in carrying out their basic functions, HM Customs & Excise said yesterday.

Activities such as the acquisition of shares and subsidiaries, mounting or defending against takeovers and receiving dividends will cease to be tax-deductible from March 1 next year.

Beer production

BEER production in July of 3.45m barrels was 2.6 per cent higher than in the same month last year, according to the Brewers' Society.

Councils may form pool for self-insurance

By Richard Lapper and Andrew Adonis

LARGER local authorities are examining the possible formation of a self-insurance pool in the wake of the troubles experienced by Municipal Mutual, the insurance company that insures the great majority of councils.

Accountants Touche Ross have been retained to advise on how councils could combine forces to insure risks such as public and employers' liability for which the insurance market is reluctant to provide cover.

Municipal Mutual, which is owned by its policyholders, ceased writing new business and temporarily suspended payment of claims on Wednesday after rescue talks with Paris-based La Garantie Mutuelle des Foncionnaires broke down.

A number of councils whose insurance policies came up for renewal this week have experienced difficulty obtaining cover.

For example, Gwynedd County Council paid a substantially higher premium for a temporary policy. "In a full year, the council would have to find at least half a million pounds over and above the present budgetary provision to meet the increased cost of premiums," a council official said yesterday. The council's annual budget is about £160m.

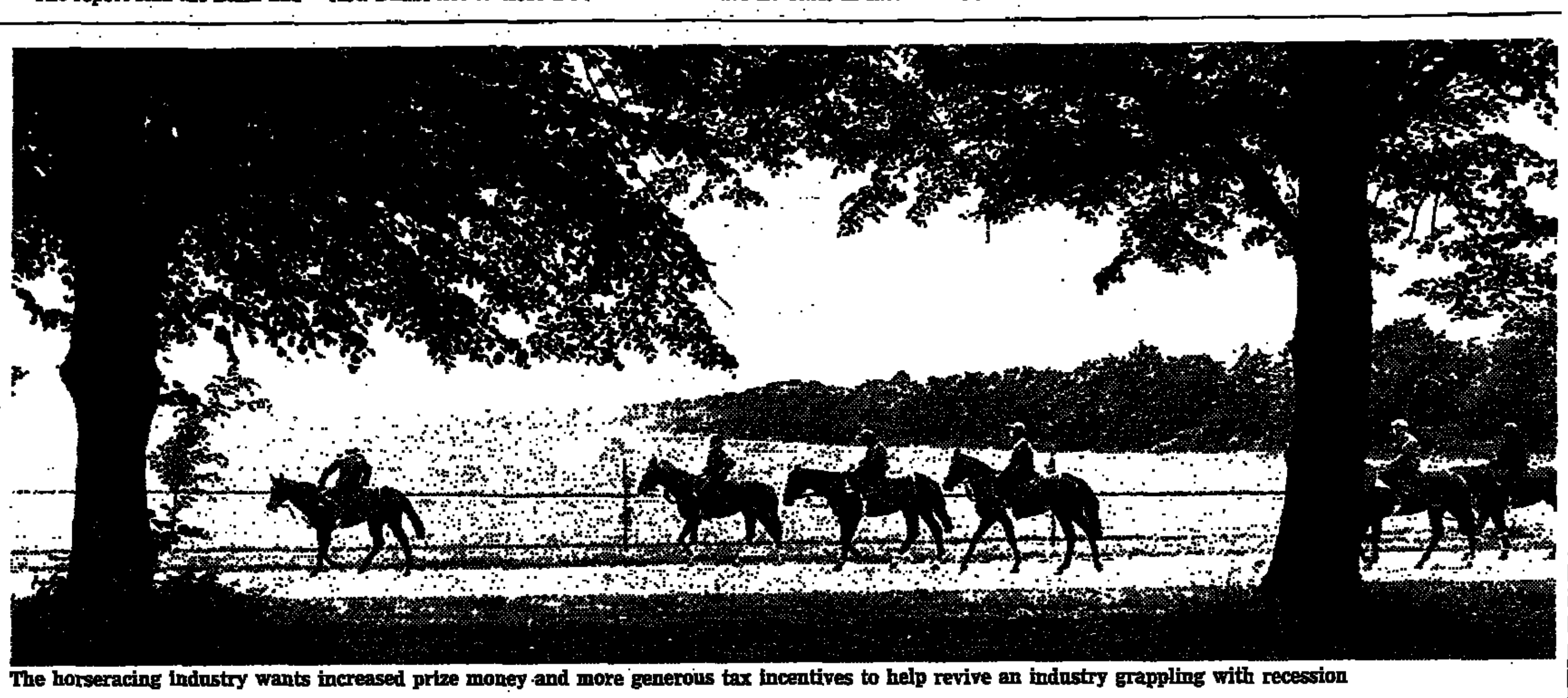
A number of insurers are also demanding that councils retain larger excesses, retaining larger amounts of risk on their own books and reinforcing the move towards self-insurance.

An increasing number of London boroughs already self-insure. Their control of education gives them particularly large budgets – typically above £200m – allowing them to carry all but very large public liabilities.

Islington has had a borough insurance fund for 10 years and has progressively shifted to self-insurance over the period. About 80 per cent of its risk is now self-insured.

Concern is growing among Municipal Mutual's 2,000 staff that a scheme of arrangement would entail job losses.

Many staff enjoy subsidised mortgages, paying 6 per cent interest on the first £25,000 borrowed. Mr Tony Whiteley, national officer of MSF which represents 1,500 MSF staff, said: "Workers could not only lose their jobs and redundancy rights, but also their homes, which are mortgaged to the MMI."



The horseracing industry wants increased prize money and more generous tax incentives to help revive an industry grappling with recession

Maktoum stable cut refuels racing debate

By Jimmy Burns

REPORTS that the Maktoum family is considering reducing the number of horses it owns in the UK does not herald the imminent collapse of horseracing in Britain, according to industry experts.

But it has refuelled the continuing debate about the future of the UK's sixth-largest industry as it grapples with recession and the conflicting interests of some of the parties involved.

Mana Al Maktoum, the spokesman for the oil-rich Dubai family that owns 12 per cent of all bloodstock in training in the UK, said: "As a policy, I would say there will be a reduction of our horses in Britain . . . How much of a reduction depends on the situation here."

The Maktoum family is not alone in lobbying for increased prize money and more generous tax incentives to help boost its return on investment in an industry that has suffered in the economic downturn.

Mr David Pipe, of the Jockey Club, agreed that prize money in the UK was "unacceptably low" and hinted that the bookmakers still remained partly to blame for not putting enough money back into the sport.

He said the industry remained a long way from disaster. "Attendances are not bad and we are doing better than one would expect from a leisure industry in the present circumstances."

Ladbroke Racing, the UK's largest bookmaker, said that its profit margins on racing were much smaller than its critics suggested and urged an end to "squabbling" within the industry.

The bookmakers want greater consultation between all parties concerned and "continued progress in the timing and quality of racing fixtures" to increase revenue.

The Horseracing Advisory Council, which groups breeders and owners but not bookmakers, says the government is failing in its commitment to provide a VAT "level playing field" for the UK breeding industry from January 1 1993, when the Single Market transitional stage comes into force.

The industry stands to gain from a quarter of a percentage point cut in betting duty announced in the last budget, but it is pressing the government for further cuts in the duty and a reduced rate of VAT on bloodstock.

Buyers in Britain currently pay 17.5 per cent VAT, compared to a rate of 5.5 per cent in France and 2.7 per cent in Ireland.

Government officials have indicated that while such reductions are legally available they are "politically unacceptable".

Mr Philip Potts, secretary of Tattersalls, the oldest and largest UK bloodstock agency, warned yesterday that official reluctance to provide further tax assistance may both hurt the industry and backfire on the government.

"If the industry is reduced, then tax revenues will decline," he said.

Rivers face 'aesthetic test'

By Bronwen Maddox, Environment Correspondent

THE National Rivers Authority has proposed that rivers, lakes and estuaries should be assessed on their pleasant appearance and ability to support aquatic life, as well as by the chemical tests used in the past.

The authority, which is responsible under the 1989 Water Act for setting water quality standards in England and Wales, yesterday made its proposals to the government, drawing on more than 160 responses to its December 1991 consultation paper.

It proposes that rivers and estuaries be classified by use: fisheries; drinking water; agricultural or industrial supply; water sports; and nature conservation. Surveys every five years would test the chemical, biological, nutrient and aesthetic state of the water.

Dr Jan Pentreath, the authority's chief scientist, said: "Water should be improved locally on the basis of what it is to be used for. At the same time, it is essential to have the national picture in order to assess value for money."

The authority's report follows rising concern about the increasing cost to water companies of meeting new environmental regulation, and the effect on customers' bills.

Friends of the Earth, the environmental pressure group, said it was concerned that "The government's fear over rising water bills will compromise the implementation of the new statutory water quality objectives".

Treasury to alter insider dealing law

By Richard Waters

THE TREASURY has conceded after strong criticism from the City that its proposed new insider dealing law needs changing.

A draft of the proposed law, circulated to a small number of City institutions in August, prompted complaints that legitimate activities would be outlawed. There were also claims that the new law would make insider dealing – dealing on unpublished, price-sensitive information – more difficult to prosecute in some instances.

Mr Stephen Dorrell, Treasury economic secretary, said in a speech to the Corporation of London, the local authority for the City, on Thursday: "We are in the process of considering the valuable comments we have received. I am confident that the revised proposals which we are now preparing will substantially address the legitimate points which people have put to us about the draft legislation." He gave no indications of the planned changes.

Mr Dorrell said the new law "will not render the legitimate work of analysts illegal, erect barriers to the normal conduct of investment business or stop underwriting. However, I also want to make clear to you today that the government is not in the business of leaving loopholes for the unscrupulous."

Mr Dorrell's comments were given a cautious welcome in the City. "We certainly take some comfort from them," the British Merchant Banking and Securities Houses Association said. The proposal that has drawn the most complaints would extend the definition of "inside information" to cover anything that could affect a company's share price, regardless of whether the information was about the company.

That could include, for instance, information about the company's rivals, or about a large block of its shares that had been put up for sale in the stock market. The activities of analysts, marketmakers and underwriters could all be caught as a result.

Maxwell to continue SFO fight

By John Mason

MR KEVIN MAXWELL is to continue his High Court challenge to have a judicial review of the rights of the Serious Fraud Office not to disclose documents to defendants before they are interviewed under its special section two powers.

A High Court judge yesterday refused Mr Maxwell leave for such a review.

However, his solicitors said afterwards that he would renew his application next week in front of two other judges.

Mr Maxwell, who faces eight charges of theft and conspiracy to defraud, claimed that the SFO was failing in its obligations as a prosecutor and acting unfairly by not allowing him to see documents before he was interviewed under section two, which removes his right to remain silent.

Mr Maxwell was due to have his eighth section two interview next Monday. That has now been postponed pending the result of next week's hearing.

FT-ACTUARIES SHARE INDICES - QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-Actuaries Share Indices, as at September 30 1992, are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the preceding quarter and for December 31 1991.

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)		Market capitalisation as at Sept 30 1992 (£m.)	% of all share index	Market capitalisation as at Jun 30 1992 (£m.)	% of all share index	Market capitalisation as at Dec 31 1991 (£m.)	% of all share index
1	CAPITAL GOODS GROUP	175	67,434.07	12.98	73,012.51	14.15	64,397.93	12.93
2	Building Materials	23	9,781.73	1.88	12,108.42	2.35	11,500.87	2.31
3	Contracting, Construction	27	3,030.37	0.58	4,069.64	0.79	4,147.93	0.83
4	Electricals	9	1,881.20	0.36	2,093.20	0.41	1,854.30	0.37
5	Electronics	27	11,545.50	2.22	11,051.50	2.14	9,374.28	1.88
6	Engineering-Aerospace	6	3,038.37	0.58	3,657.48	0.71	3,983.65	0.80
7	Engineering-General	43	8,683.23	1.68	9,704.74	1.88	7,839.05	1.57
8	Metals and Metal Forming	7	2,752.89	0.53	2,801.59	0.54	2,763.24	0.56
9	Motors	14	3,881.53	0.75	4,397.45	0.85	3,558.60	0.71
10	Other Industrial Materials	19	22,839.25	4.40	23,128.50	4.48	19,376.01	3.90
21	CONSUMER GROUP	191	196,396.44	37.81	198,982.53	38.55	193,463.37	38.87
22	Brewers and Distillers	25	35,980.63	6.93	38,365.07	7.43	35,376.60	7.11
25	Food Manufacturing	19	22,062.83	4.25	23,132.34	4.48	22,993.06	4.62
26	Food Retailing	18	20,719.41	3.99	22,244.65	4.31	18,275.96	3.67
27	Health and Household	25	51,769.48	9.96	47,877.51	9.28	56,395.54	11.33
29	Hotels & Leisure	18	11,005.21	2.12	13,124.75	2.54	12,145.68	2.44
30	Media	26	16,532.14	3.18	15,655.85	3.03	13,698.29	2.75
31	Packaging, Paper & Printing	17	6,679.97	1.29	6,963.43	1.35	5,943.02	1.19
34	Stores	34	28,893.50	5.56	28,787.68	5.58	26,244.25	5.27
35	Textiles	9	2,753.27	0.53	2,831.26	0.55	2,390.97	0.49
40	OTHER GROUPS	117	129,477.09	24.93	125,950.73	24.40	117,329.44	23.57
41	Business Services	17	7,723.98	1.49	7,766.45	1.50	6,025.03	1.22
42	Chemicals	22	16,892.68	3.25	17,872.80	3.46	17,452.26	3.51
43	Conglomerates	10	13,774.70	2.65	13,556.89	2.63	13,938.60	2.80
44	Transport	14	12,846.06	2.47	12,813.59	2.48	11,720.79	2.35
45	Electricity	16	17,764.14	3.42	16,784.20	3.25	15,041.77	3.02
46	Telephone Networks	4	31,652.56	6.10	30,239.28	5.86	30,761.02	6.18
47	Water	11	9,933.91	1.91	9,484.23	1.84	7,242.44	1.45
48	Miscellaneous	23	18,889.06	3.64	17,433.30	3.38	15,147.53	3.04
49	INDUSTRIAL GROUP	483	393,307.60	75.72	397,945.77	77.10	375,190.74	75.37
51	Oil and Gas	17	45,436.81	8.75	43,767.00	8.47	49,661.40	9.98
59	500 SHARE INDEX	500	438,744.41	84.47	441,712.77	85.57	424,852.14	85.35
61	FINANCIAL GROUP	83	67,769.94	13.05	61,576.80	11.93	59,836.28	12.02
62	Banks	9	36,405.18	7.02	29,419.39	5.70	26,349.18	5.29
65	Insurance (Life)	6	8,436.49	1.62	8,027.18	1.56	7,902.31	1.59
66	Insurance (Composite)	7	9,365.92	1.81	8,997.71	1.73	8,704.85	1.75
67	Insurance Brokers	10	2,140.44	0.41	2,525.13	0.49	2,974.53	0.60
68	Merchant Banks	7	2,859.99	0.55	2,941.60	0.57	2,602.53	0.52
69	Property	30	6,102.39	1.17	7,103.35	1.38	8,859.18	1.78
70	Other Financial	14	2,459.53	0.47	2,562.44	0.50	2,443.70	0.49
71	Investment Trusts	70	12,882.07	2.48	12,881.16	2.50	13,084.08	2.63
99	ALL-SHARE INDEX	653	519,396.42	100.0	494,509.96	100.0	497,772.50	100.0

Bank reserves fell £4.4bn

By Emma Tucker, Economics Staff

THE BANK of England's reserves fell by £4.4bn ($7.7bn) last month, but analysts said that did not reflect the true extent of intervention by the authorities as they attempted to prop up sterling.

Although the underlying fall was a record, it was only a fraction of the £15bn of foreign currency reserves allegedly spent shortly before the pound's devaluation.

Treasury figures show that Britain's overall gold and currency reserves were $42.7bn at the end of September compared with $44.4bn at the end of August.

The net final fall of $1.7bn was much smaller than the underlying fall because the government was able to draw upon $6.1bn – about half – of the special borrowing of up to Ecu10bn of foreign currencies arranged at the beginning of September to boost the pound. Overall reserves were also boosted by $1.2bn of Ecu Treasury bill proceeds.

The Treasury said the changes in reserves were not an exact mirror of Bank intervention. The figures are the only official indication of what took place last month. They fail to reveal a number of factors, including:

- How much intervention was carried out by the Bundesbank on behalf of the Bank of England. Earlier this week, Mr Helmut Schlesinger, president of the Bundesbank, pointed out that total compulsory D-Mark sales in support of EMS currencies during the week of "Black Wednesday" came to more than DM44bn (£17.6bn), "the greater part of which was accounted for by interventions vis-à-vis sterling". Under ERM rules, repayment of whatever was lent by the Germans will have to start within three months.
- How much the Bank may have raised on the so-called forward market, where it is possible to buy sterling a number of months ahead, where deals do not have to be settled until delivery falls due.

"The only conclusion you can draw from these figures is that either we all got the scale of the intervention completely wrong, which seems unlikely, or that more Bundesbank funds were used to try and prop up the currency than we thought at the time," said Mr John Shepperd, an economist at S.G. Warburg Securities.

- Mr Schlesinger told a news conference yesterday that currency intervention by the German central bank had totalled DM92bn since the beginning of September.

London forecast to lag in growth

By Emma Tucker

GREATER London, hampered by sluggishness in financial and business services, is forecast to be the UK's slowest growing region during the 1990s.

Growth will be fastest in the less urbanised regions including the south, the east Midlands, Wales and Yorkshire and Humberside, according to the latest regional survey by the Northern Ireland Economic Research Centre and Oxford Economic Forecasting.

The north and north-west of England, Scotland and Northern Ireland are expected to lag behind the UK average.

The report suggests that the economic boom in south-east England during the 1980s, which raised that region's share of national economic activity above its postwar norm, was unsustainable.

By the end of next year it forecasts that employment in the south-east will have fallen from its 1990 peak of 8.8m by 835,300, a fall 1½ times greater than the number of jobs gained during 1986-90.

Employment in financial and business services in the south-east fell by almost 5 per cent compared with a 1 per cent increase nationally.

Outside the south of England, East Anglia and the south-west, output and employment losses have been mainly confined to manufacturing and construction. Manufacturing is forecast to grow faster than the average for all industries.

Investors flounder as sterling floats

James Blitz explores how far the pound might fall

FOR MANY backbench conservatives, the government's decision to float the pound on the foreign exchanges was the best thing that could have happened to Britain's economic policy.

For corporate treasurers and currency investors, though, a free-floating pound has made life much more difficult.

For the past two years, they have assumed that the pound could go no lower than DM2.7780, its lower limit against the D-Mark in the European Exchange Rate Mechanism. But yesterday it reached a historic low of DM2.4260.

While the currency fell sharply on the foreign exchanges, investors were at a loss to know when sterling would bottom out.

On a trade-weighted basis, the pound is undervalued against the D-Mark, with a fair value being seen by some analysts at between DM2.50 and DM2.60. However, Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corporation in London, said: "You can ignore such measures altogether. It is no guide to where the currency will go right now."

Instead, the pound is being undermined by uncertainty over the government's economic policy and the continuing political difficulties over its European policy.

In the next few days, sterling's moves will be dictated by whether there is another cut in UK base rates. There is widespread speculation that Mr Norman Lamont, the chancellor, will announce another rate cut next week to boost the government's lagging fortunes at its annual party conference.

A cut in rates, currently at 9 per cent, would give investors a lower return on the pound and push its value down further. But Mr Austin said that yesterday's "disturbing" fall made another cut unlikely.

Beyond the party conference, choosing a bottom for sterling is a more hazardous business. Mr David Shaw, bonds director at Legal and General Investments, has worked out several scenarios for sterling over the next few months.

The most likely, he says, is that there will be a "managed float" of the currency. That would involve a formal statement that the UK has left the ERM, with the government anchoring the currency to a new exchange rate regime or a mixture of monetary indicators. Sterling would, in his view, fall to DM2.35 or $1.50.

The second most likely scenario, according to Mr Shaw, is that the government will issue a formal statement that the UK will re-enter the ERM when the time is right. That might accompany the cut in German short-term rates as Germany slides into recession. The pound would re-enter the ERM at a central parity of DM2.40 and at a value of $1.60 to the US dollar.

The most bearish outlook for the currency, however, would be a continuation of uncertainty or a government policy of "benign neglect" towards sterling, similar to the one that has predominated in the US this year. It would be accompanied by more cuts in interest rates in an attempt to "go for growth".

A leading London-based investment manager who specialises in currency management said that a policy of benign neglect could push sterling down to DM2.20. Mr Shaw believes the currency could bottom out as low as DM2.00. At such levels, the pound would be clearly undervalued and a rebound would certainly ensue.

Major decides to defy Euro-sceptics

Philip Stephens anticipates a ruthless drive to force Tory MPs into line

MR MAJOR has made his choice. This week he stepped in at last to the policy vacuum left by the disintegration of his economic and European policies on September 16.

The prime minister will defy the Tory Euro-sceptics by pressing ahead with ratification of the Maastricht treaty. He will seek to ease the process by keeping sterling indefinitely outside the European exchange rate mechanism. The first priority is economic recovery rather than stable prices.

So a Conservative party that risked drifting into self-destruction has been given the lead it demanded. Mr Major's dilemma is that a large and angry segment of that party wanted to head in the opposite direction.

Next week's annual conference in Brighton will see the first bruising skirmishes in a battle over Europe that threatens to engulf the government until next spring. Mr Major believes he will win. He can be far less certain of the cost the fight will inflict on a government whose authority has been shredded by devaluation.

Nor will Maastricht be the last battle. The pro-European majority in his cabinet is content for now to accept a formula that defers a decision on sterling's return to the ERM for up to two years. They accept that Mr Major cannot join battle with the Euro-sceptics on two fronts.

Unlike the chancellor, other heavyweights such as Mr Douglas Hurd, Mr Michael Heseltine and Mr Kenneth Clarke have not been singing in their baths. Mr Norman Lamont may feel liberated by the removal of an exchange rate constraint. Many of his colleagues believe the economic and political imperatives that led the government into the ERM have been suppressed rather than removed.

So Mr Major is emphasising in private as well as public that he has suspended rather than abandoned his view that sterling is better off inside than outside the ERM.

As for the chancellor, Mr Lamont's peers believe he should be safe in the Treasury for the time being. The view around the cabinet table is that the prime minister cannot afford to move a self-declared champion of the Euro-sceptics while the Maastricht bill is in the House of Commons. But few expect Mr Lamont to remain in No 11 Downing Street much beyond next spring.

Mr Major's decision to press on with ratification of Maastricht came at Thursday's cabinet meeting. It followed an intense round of contacts with his European colleagues which had convinced him that he could no longer prevaricate.

President François Mitterrand and Chancellor Helmut Kohl signalled that they would accommodate his political troubles by publicly eschewing any notion that they intended to leave Britain in the slow lane of a two-speed Europe.

The *quid pro quo* they sought was tangible evidence that Britain would ratify the treaty well before a second referendum in Denmark in the middle of next year.

Mr Major's counterparts warned him that his agenda for the Community – completion of the single market; a drive to complete the General Agreement on tariffs and Trade talks; and commitments to EC enlargement – would be swept aside unless he could deliver on the treaty.

Alongside those sticks was a carrot. They accepted Mr Major's judgment that the sceptical mood among electorates in the Community demanded a clear response from the EC summit in Birmingham later this month.

The prime minister was given the go-ahead to draft a declaration committing governments to put flesh on the concept of subsidiarity – the devolution from Brussels to national governments of intrusive powers.

There was agreement also that further declarations buttressing the intergovernmental nature of much of the treaty would be needed to pave the way for the Danish government to hold a second referendum.

Mr Major linked that assessment of the mood among his partners with a broader judgment that the damage to Britain's standing would be damaged beyond repair if he sought to renege on Maastricht.

He reminded the cabinet that he had extracted critical concessions in the final hours of the treaty's negotiations last December. That would never again be possible if the government did not keep its word. The prime minister was careful to ensure that every member of the cabinet put his or her name to the decision.

There was a more fundamental point. In spite of his strong antipathy to federalism, Mr Major remains persuaded that Britain cannot prosper politically or economically on the margins of Europe.

Defeating the Euro-sceptics will not be easy. Party managers are promising a ruthless campaign to force MPs into line. But the signs are that up to 50 Tories are ready to refuse their support and that many more will be have to be coerced.

The prime minister will therefore be forced to rely on the opposition parties to get the legislation through. Mr John Smith, the Labour leader, is clear that he will not destroy his party's hard-won European credentials by attempting to defeat the bill. But he will seek to maximise Mr Major's discomfort in the protracted guerrilla warfare by Tory Euro-sceptics during the committee stage of the bill.

It will be bloody and debilitating for his government. But in the end Mr Major had no other choice.

FT writers assess constituency moods on the eve of the Conservative party conference

Economic policy troubles faithful

By Paul Cheeseright, Midlands Correspondent

MR JOHN PERKINS, partner of Perkins and Tustin, solicitors, is a quiet man. Mild of demeanour, grey suit, neat tie, he is an active Conservative supporter of 20 years' standing. But long before Black Wednesday, he was worried.

"A policy concentrating on inflation is just not adequate," he said. So he devised a motion for the party conference that goes to the heart of government economic policy. It asks, in effect, for the government to encourage manufacturing.

Mr Perkins wondered whether he might be thought a rebel, but he will not be considered such in Northampton South. Local MP Mr Michael Morris, deputy speaker of the Commons, said: "The message from my constituents is that they actually want practical help and assistance."

NORTHAMPTON

Northampton South has a diversified industrial base and the impact of the recession has been less severe than in, say, the West Midlands. But unemployment doubled in the year to October 1992 from 3.5 per cent to 7.0 per cent and has since climbed to 9.0 per cent.

The seemingly effortless economic growth of the 1980s has stuttered, calling into question basic tenets of government policy and feeding the creeping disillusion of the local faithful.

Black Wednesday left bewilderment. Northampton South Conservatives are not convinced that the government is getting to grips with the situation.

"There are stalwart Conservative-minded people who are absolutely dumbfounded about what we're playing at," said Mr Malcolm Lloyd, who has a metal-finishing business. "I want to give Mr Major every support, but I want to see results."

MOTIONS DESTINED FOR OBLIVION:
Northampton South: This conference asks the government to change, in the economic realities of the 1990s, the emphasis from the service industries to those that manufacture. This conference asks for the government to give more encouragement to industry, rather than the consumer, to lead us to a balance-of-payments surplus. (Tory MP – Michael Morris, elected 1974).
Scarborough: This conference congratulates the Danish people on their rejection of the Maastricht treaty and calls upon Her Majesty's Government to cease any further moves towards political and monetary union. (Tory MP – John Sykes, elected 1992).

Colin Beere

Not bloody accountants: Scarborough's fishermen resent the intrusion of EC rules into their working lives

'We don't want strangers meddling'

By Jimmy Burns

MR DAVE BECK, a Conservative member of North Yorkshire County Council, is in blunt and combative mood. "Jacques Delors? I don't trust him. There is no froth and bubble here. We don't want strangers meddling in the affairs of this nation.The British people are saying enough is enough."

SCARBOROUGH

Mr Beck is the author of the Scarborough and Whitby Constituency Conservative Association's motion – approved unanimously on July 6 by the 18 members of the association's executive committee.

Mr Beck says that Tory grassroots opinion – fuelled by the narrowness of the French referendum vote and the diplomatic shadow boxing with the Germans – is firmly behind him.

"The government can try and cajole and use the three-line whip but the people will not have Maastricht," he declares.

Such sentiment can easily flourish in a town like Scarborough, a quintessential northern resort with its mixture of fading Victorian elegance and fish and chips.

Here people claim to have spent their history resisting foreign invasions. The pubs have names that include Albion, Britannia and Lord Nelson.

Feelings have risen to the surface by the harbour, where the local fishing industry blames its decline on Europe.

"*This* is Europe," spits Bob Walker, a fisherman and loyal Conservative supporter for 30 years, emerging from his trawler with two hefty files – the Eurolog book he has to fill in every time he fishes in EC waters. "We're fishermen, not bloody accountants."

His view, shared widely by local fishermen, is to blame the distant EC bureaucracy – and the servility of the British government and navy – not just for stifling his work with paperwork and quotas but for discriminating in favour of non-British fishermen such as the Spaniards.

"We should police our own waters, govern ourselves," says Mr Walker, for whom the word subsidiarity is an empty concept dreamed up by politicians.

Some British fishermen are threatening to burn their EC log books outside the Tory conference next week.

In the office of Mr Robert Ashman, the Conservative agent and secretary, on the first floor of the elegant Victorian building housing the Scarborough Conservative club, the portraits of Mr Major are outnumbered by those of Churchill and Mrs Thatcher.

But Mr Ashman is no fanatical Euro-sceptic and is anxious to point out that not all local Conservatives are anti-European. "Undoubtedly there are some who want nothing to do with Europe, but they are in a minority. The majority simply are worried by a sudden rush into Europe. There is no hard and fast anti-European attitude."

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Leading from weakness

THE MINI-SUMMITS at which world leaders so often meet are becoming increasingly like group encounters, or therapy sessions. Participants alternately seek to console one another, or fly into tantrums. This is hardly surprising: seldom have so many important governments been so dangerously weak.

President Mitterrand can at least retire gracefully if he wishes, for convincing medical reasons. President Bush can only be saved by an electoral wonder; Chancellor Kohl has somewhat longer to rebuild his ruined prestige. Mr Miyazawa is accused of covering up yet more corruption in the Japanese ruling party. Meanwhile Mr Major, who stood out until only a few weeks ago as the one secure and confident leader in the big industrial countries, has joined the critical list. Only Mr Amato in Italy and President Yeltsin in Moscow enjoy the grim security which comes from manifest national crisis.

The reasons are all at bottom economic, but there are three quite different problems intertwined. The English-speaking countries and Japan are suffering what is at heart a financial crisis. In all these countries the banking system is sick from the excesses of the 1980s, and kept weak by the belated onset of supervisory prudence, which earmarks the bulk of banks' earnings for balance sheet repairs. Meanwhile, creditworthy borrowers are badgered to repay, and the more questionable kept on minimal life-support, with devastating results for the small company sector.

Until banking recovery is complete – a matter of years even in favourable circumstances – debt deflation is likely to persist. Massive damage can be avoided only through large interest rate cuts, as the US and Japanese authorities have clearly understood. But in continental Europe the problems are quite different. The banking system is sound, but fiscal deficits are excessive, mainly, of course, in Italy and in reunited Germany, which has contracted symptoms from the third crisis – the collapse of the former Communist economies.

Fears to persist

Even without the deflationary convergence conditions imposed by the Maastricht treaty, the troubles of continental Europe would demand tight monetary policy to offset government excess. That is why Britain's membership of the ERM became unsustainable.

Even if better timing had enabled the country to join at a less demanding exchange rate, the weakness of the economy would have undermined the currency. The markets eventually find out an unsustainable policy.

Sterling has now been devalued sharply, but it continues to fall mainly because of the perceived weakness of the government. Confidence will be restored in due course if the government can convince the markets of its anti-inflationary credentials. Even though actual inflation is likely to remain low, the market's fears will persist like a toothache.

Mrs Thatcher showed an effective approach in 1981. It involved firm resistance to public sector pay demands and fiscal tightening, including tax increases – then, to check monetary growth, but necessary now to help restore the external balance. Given an equally convincing package now, the weakness of sterling would become a source of competitive strength: the currency would be seen as undervalued, and the large interest-rate cuts which some enthusiasts have been demanding could at last be made with acceptable risk.

Difficult task

This is a demanding agenda for Mr Major, but at least he has time to tackle it. The world's leaders jointly face a more difficult task: to prevent a worldwide recession from inspiring a retreat into isolationism and trade protection, as happened in the 1930s. This task is doubly difficult for weak leaders. The impetus for European integration should keep Britain and her partners on speaking terms, and must do so. Mr Major has quickly recognised this, and so ended a terrible 10 days of his premiership with some credit.

But the US is the key to world co-operation, and progress will have to wait for the election of its next president. It is encouraging at least that there has been so little overt protectionism in the campaign so far, and that Governor Clinton, a Fulbright protégé, still the likely winner, may turn out to have the instincts of an internationalist.

Continued co-operation and open trading are important for the most prosperous countries in the world, but they would rub along without it. It is vital, however, for the most disrupted and for the most dynamic countries – the former Communist world, which desperately needs some hope, and the rapidly emerging market economies of the Pacific and Latin America, where there is a risk that success could be smothered at birth. That success must be preserved primarily for the sake of the huge populations at risk; but for the richest countries Latin America offers not only growing markets, but badly needed proof that there is, after all, life after debt.

David Marsh on the reasons behind the recent bout of Anglo-German acrimony

Ugly noises mar quiet alliance

A junior British minister, speaking in spring last year at the annual Anglo-German Königswinter conference, delivered an eloquent illustration of the unevenness of ties between Britain and Germany. Emphasising how reunited Germany should play a more active role in world affairs, he declared: "We would like the Germans to be more assertive – as long as they agree with us."

His remark provides an insight into the past few weeks' hubub between the two countries over the decline of sterling and the future of European integration. During the post-war period, Britain has always wanted a strong relationship with Germany. But, as one of the two European countries (along with France) with any pretensions to being a world power, Britain wanted to define these links, as far as possible, on its own terms.

Now, as a result of Germany's development into Europe's pivotal economic and political power, the favourable terms of the 1950s and 1960s – or even of the 1970s and 1980s – are no longer on offer. Against a background of evident British economic weakness, the relationship needs to be reshaped – amid an atmosphere of bickering and mistrust which is hardly conducive to mutual co-operation.

The criticisms by the British government, backed by the media, of alleged German complicity in the pound's collapse have been only the latest example of irritation. German ministers and officials – including some in the Bundesbank – were severely irked by the lack of support for reunification shown in 1989 and 1990 by the government of Mrs Margaret (now Lady) Thatcher.

Both sides have done their best to forget the episode, along with the less serious affair in 1990 over anti-German remarks by Mr Nicolas Ridley, then industry secretary, who was forced to resign. But bruised feelings are still there – manifest in barbed comments by Bonn officials as well as, occasionally, by the German chancellor himself.

Not least because of the residue of ill-feeling, Mr John Major has made repairing ties with Bonn one of his priorities since he took over the premiership nearly two years ago. He has succeeded in building a good working relationship with Mr Kohl – one which enabled him to achieve Britain's "opt-out" accords on economic and monetary union (Emu) and on the social chapter at last December's Maastricht summit.

None the less, the skirmishing has flared up again during the past year. Discontent has been sown by differences on matters ranging from policies towards the former Yugoslavia to the European Fighter Aircraft. Germany's quest for a permanent seat on the UN security council has also set some alarm bells ringing in Britain. Last week, the Bonn government's (promptly abandoned) plans to support officially a ceremony to commemorate the first flight of Hitler's V2 rocket spurred strong rebukes from British newspapers and politicians.

If the Anglo-German partnership – dubbed only a few years ago the "quiet alliance" – has grown cacaphonous, this is partly a reflection of the growing problems both countries face at home. Germany is united. Yet, preoccupied by the exacting (and seriously underestimated) economic and social challenge it faces, it has yet to demonstrate that unification will prove a success. Britain is not only debilitated by recession. It is also caught between opposing fears of being ensnared in a German-dominated federal Europe, and of being excluded from a "core" of richer countries, led by France and Germany, which could forge ahead with integration in a "two-speed" Europe.

On both sides, there is edginess and oversensitivity, combined with insufficient understanding for the other country's predicament. Just as Britain sometimes fails to comprehend the strains on Germany caused by an unprecedented influx of 400,000 asylum-seekers this year, the Bonn government admits it was late in spotting the full political importance of the pressures forcing sterling's exit from the ERM last month.

One German diplomat, upset at the readiness with which Nazi caricatures surface in the British media, compares the climate – perhaps somewhat drastically – to the sabre-rattling between the two countries before the First World War. Certainly, the ramifications of comments on the recent exchange market upheavals by Mr Helmut Schlesinger, the Bundesbank president, bear a resemblance to the celebrated Daily Telegraph affair in 1908. Then, indiscreet interview remarks by Emperor Wilhelm sparked off a crisis with Britain.

Mr Josef Joffe, foreign policy commentator of the Süddeutsche Zeitung, the Munich-based newspaper, says he has been surprised by the anger towards Germany in Whitehall in recent weeks. "I never thought you could build good cars, but I always thought you had a talent for keeping cool," he says.

Lord Roll, a veteran diplomat and now president of S G Warburg, points to the ease with which anti-German resentment can "bubble up" in Britain. "Ignorance and disdain, mixed up with envy and jealousy, tend to rise up and poison the atmosphere." He adds: "This is dangerous, and it should be stopped."

Mr Major now says the same, with his appeal on Thursday for an end to the "war of words" between the two countries – announced at the same time as his decision to resubmit the Maastricht treaty to parliament. Mr Major's strategy of attaining D-Mark-like currency stability has disastrously misfired. But he appears to have been firmly told by Mr Kohl, during their one-hour telephone conversation on Wednesday, that Britain's credibility will take a further dive unless it goes ahead with ratifying the treaty.

In the light of the sterling debacle, the British government has been jealous of France's success in the last fortnight in maintaining the franc's parity against the D-Mark. Mr Major has, however, probably realised that too evident a show of Euro-scepticism in Britain would end up strengthening the Franco-German alliance – the opposite of what he intends.

In its European policies, Britain has one trump card to play with Germany. Mr Kohl has his own domestic reasons – above all, growing opposition to the abandonment of the D-Mark – for not proceeding too quickly to Emu. In view of Britain's own scepticism about monetary union, Mr Major is thus a useful ally to have on board.

In the end, though, the future of European integration depends not on Britain, but on whether Germany overcomes its own economic difficulties in the next few years. If it fails, Mr Kohl and Mr Major may face the prospect not of a Europe of two speeds – but of a Europe proceeding at no speed at all.

Bemused and bewildered

Quentin Peel on the reaction to British sound and fury

Perhaps the single most significant indicator of German reaction to the latest storm in Anglo-German relations is the fact that Bild Zeitung has barely commented at all.

The mass circulation newspaper (4m-plus readers nationwide), which prides itself on having its finger on the pulse of the German in the street, has so far not deemed it worthy or relevant enough as an issue on which to wage war.

It was not so back at the time of impending unification in 1989 and 1990, when Britain's fears of a united Germany, intemperately expressed by the then Mr Nicholas Ridley, turned into a raging slanging match between Bild and the British tabloids.

This week the newspaper has done no more than mockingly report in a down-page story that "Germany-bashing" is the latest sport in Britain. It lets the headlines in the Sun and the Daily Star speak for themselves.

Not that Germany is immune to the criticism it receives. Concern over the international image of the country and its people is a full-time national occupation. The damage to Germany's image wreaked by the skinhead attacks on asylum-seekers in the east has caused an agonised debate. The insensitivity of an anniversary to commemorate the launching of the V2 rocket was also spotted – not thanks to any British protest – as a terrible mistake.

And yet the verbal onslaught being doled out by Mr Norman Lamont and his Treasury spokesmen is being watched with something more like pained bewilderment, and largely without response. It is a very one-sided war.

The row has revealed more about the continuing culture gap that exists between Britain and Germany, in spite of years of close co-operation in the European Community, than about fundamental differences of view.

On the one hand, German officials, not least Mr Helmut Schlesinger, the president of the Bundesbank, appear to be naive and ignorant about some of the more aggressive practices of the Anglo-Saxon media, and the supercharged state of the British political debate. Their attempts to justify their actions have instantly been twisted into broadsides and onslaughts in the conflict.

As for the British, they still prove congenitally incapable of understanding the fiercely independent stance of the Bundesbank, and its refusal to take orders from Bonn. What is often perceived in Germany as a tense debate between Bonn and Frankfurt is interpreted back in Britain as a conspiracy.

German commentators have closed ranks in defence of the Bundesbank, an institution which enjoys far more popular respect than the government itself or any other post-war establishment.

"It is true that the Bundesbank is not the inventor of diplomatic tact," the conservative newspaper Die Welt said yesterday. "But one thing it is not: lacking in solidarity. That is why it cannot allow the myth to be created by British politicians that sterling was brought down with a roll of German dice.

"It is absurd to say that the fall of the pound was stage-managed by the Bundesbank. It was determined by the markets."

That is the German consensus, and no amount of sound and fury from Westminster and Whitehall will shake it.

MAN IN THE NEWS: ***Sir Nigel Broackes***

Independent turn of mind

Sir Nigel Broackes, chairman of Trafalgar House, was his charming self when the Keswicks called by early Thursday afternoon to alert him that Hongkong Land had bought just under 15 per cent of his company and was about to tender for another 15 per cent.

As soon Sir Nigel had shown the Hong Kong property owners the door he launched into a tirade against their move, which he yesterday described as "trying to get effective control without paying a bid premium".

A Trafalgar executive said: "Sir Nigel has been around a very long time. He knows everyone in the City and will call in favours if he needs to. The Keswicks would be foolish to underestimate his capacity to fight."

But the problem for the 58-year-old chairman is that it is by no means clear to whom he can turn. Five of his 10 biggest institutional shareholders yesterday warmly welcomed the move by Hongkong Land. If their comments are to be believed, Mr Simon Keswick, chairman of Hongkong Land, and Mr Henry Keswick, chairman of Jardine Matheson Holdings, are a good deal more popular that Sir Nigel.

Several businessmen who know him regard him as somewhat pompous and occasionally complacent. One, who could have been expected to provide moral support, said Trafalgar's situation was sad but was partly the chairman's own doing. "He chose to establish all these property joint ventures which have turned out to be such bad news for the company."

Just over a year ago when Trafalgar was valued at more than £2bn, compared with £600m today, Sir Nigel felt confident in rejecting an offer of co-operation with another big company that he might welcome today. Lord Hanson, chairman of the Anglo-US conglomerate, who has known Sir Nigel for years, asked him at a lunch whether there was any way in which the two companies could work together. Nothing specific was mentioned. Sir Nigel replied that there was no scope for a relationship.

Although the Hanson approach may not have been to Sir Nigel's liking, he has indicated that he would like to sell some of Trafalgar's assets. However, Lord Sterling, a contemporary and chairman of Peninsular and Oriental Steam Navigation, which was the subject of a failed bid by Trafalgar in the early 1980s, appears unlikely to come to his aid by buying, for example, the fleet of ships that Trafalgar's chairman is so keen to sell. Lord Sterling, nevertheless, attests to Sir Nigel's ability for original thinking. "He has a most interesting strategic turn of mind."

A stockbroker who has known Sir Nigel for more than 20 year says he is still "very much the fighter he always was", and will still be able to rely on the help of his influential City advisers, Kleinwort Benson, Lazard Brothers, Cazenove, and UBS Phillips & Drew.

The broker added: "You only have to read his autobiography, A Growing Concern, to realise that Sir Nigel does not give up easily. He will be determined to fight Hongkong Land tooth and nail."

As an only child, as were both his parents, he has always been determined to get his own way. His upbringing was relatively harsh. In his autobiography he describes his father as "an extremely tough man" who would beat him for misdemeanors such as dismantling the HMV gramophone. He was just eight when his father died. "My small world disintegrated," he wrote.

Educated at Stowe public school, where he never got on well with his teachers, he soon realised he was ambitious and could get his own way. He left at 16. He went on to lose almost all of a £30,000 inheritance by the time he was 23, on bad property deals. But just when he desperately needed a break, he injected his last remaining property asset, a block of seven flats in London's Great Cumberland Place, into the fledgling Trafalgar.

He went on to become Trafalgar's managing director at 24, was a millionaire four years later and chairman of the company by 35. A tall, imposing man, with a gravelly voice, Sir Nigel had little difficultly in making his presence felt.

He was never a hands-on manager. Lord Matthews, who was managing director and then chief executive of Trafalgar House in the late 1970s until he retired in 1983, says: "What did Sir Nigel do? Good question. He was always there and had opinions on things. I was influenced by what he had to say. We were a team; I did the work and he contemplated the future from his office. He has never been one of the world's great workers."

Sir Nigel believes Lord Matthews is "slightly exaggerating". From 1963 to 1969 he says he was "very much a hands-on manager".

Lord Matthews says he found it difficult to understand what Sir Nigel's interests in life were, except for an enjoyment of the trappings of a rich man. In his autobiography, Sir Nigel describes the importance of those trappings, which include an Oliver Hill-designed house in Chelsea Square, a weekend retreat in Oxfordshire, a mansion near Nice and a yacht anchored in the Mediterranean. He said yesterday that as chairman of the Crafts Council and director of the Maritime Museum, he also had many cultural interests.

It would be a mistake, says Lord Matthews, to underestimate him. "He is a shrewd man; he is not a chap to play poker with."

Perhaps Sir Nigel's greatest test will be to ensure that Trafalgar's board is seen to be united. It is an open secret that Sir Nigel has not always seen eye to eye with Sir Eric Parker, chief executive. Lord Matthews says: "I think Eric, who is a first-class accountant, is resentful of the fact that he has to do all the work."

Sir Eric yesterday confined his comments to the fact that over the 27 years he has known Sir Nigel the two men have had vigorous "discussions ... but the board is at one."

Since Hongkong Land launched its dawn raid on Trafalgar, Sir Nigel has chosen to stay out of the limelight. "That," said one of the group's financial advisers, "is confirmation that Sir Nigel has decided that the best way to avoid reports of boardroom splits is let his chief executive do the running. He will do anything to help Trafalgar remain independent."

Roland Rudd

Why small is no longer beautiful

Recession is wreaking havoc on entrepreneurs who prospered in the 1980s, says **John Plender**

It is one thing for the government to re-draw the lines of economic policy; quite another to restrain the inexorable rise in the immediate costs of the recession. This week it emerged that the rate of business failures in Britain had accelerated sharply in the third quarter, with a jump of more than 60 per cent over the comparable period last year. The pain has been particularly acute in the small business sector, where a new generation of entrepreneurs that prospered in the boom of the 1980s is being systematically wiped out. It is a tragedy not only for them, but for the wider economy.

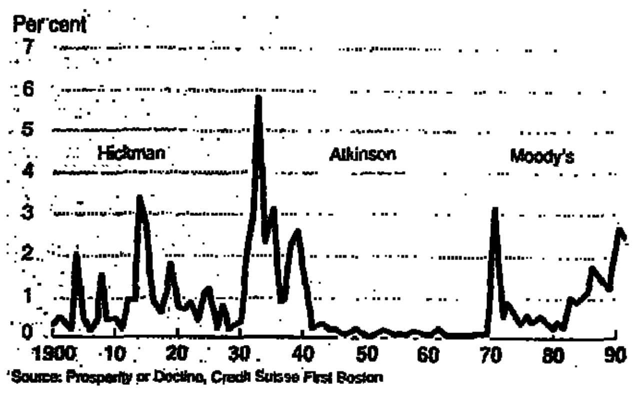
A striking feature of the labour markets of the developed world over the past decade is the disproportionate contribution that small business has made to the growth in employment. Britain and the US serve to illustrate the point. Between 1985 and 1989, according to a study by Professor Colin Gallagher of Newcastle University, more than 1m additional jobs were created in the British economy by companies employing fewer than 20 people – twice as many as those created by larger companies.

In the US the Bureau of Labour Statistics estimates that new companies generated 12m jobs in the 1980s out of a total of 18.5m. The weakness of the US economic recovery is largely explained by the collapse in the job creating capability of small business; between 1990 and 1991 the additional jobs created by new companies dropped from 1.5m to 144,000.

It is not difficult to see why small business should have been such a conspicuous victim of the recession in the English-speaking economies. The potent combination of loose monetary policy and financial deregulation in the 1980s ensured a supply of plentiful, but increasingly expensive, credit. In Britain rising house prices provided ballooning collateral for small business loans.

Today in Britain house prices are down in nominal terms and real rates of interest are still at their highest level since the 1930s. Unlike the early 1980s when an overvalued exchange rate was chiefly responsible for rising unemployment, interest rates are now the key. Since a high proportion of small businesses are in the non-tradeable sector of the economy, they enjoyed a degree of protection in the earlier recession. Today they have nowhere to hide.

US historical default rates



Source: Prosperity or Decline, Credit Suisse First Boston

Credit, whether cheap, as in the US, or expensive, as in Britain, is now scarce. Small companies are not only vulnerable because of their greater indebtedness; they are, as David Hale of Kemper Financial Services points out, more dependent on a shell-shocked banking system than large companies because they lack access to stock and bond markets and to commercial paper markets. As banks seek to rebuild their capital and profits, small business suffers disproportionately from the banks' urge to widen margins.

In the US the credit crunch has been exacerbated by bank failures and conservative lending policies arising from new federal regulations that severely penalise bank directors who adopt risky lending policies. Small businesses there have also been hit by a sharp rise in health insurance costs. And the heavy weighting towards the non-tradeable sector means that they are less well placed to take advantage of a weak dollar than large companies – a point that now applies with equal force to post-ERM Britain.

If the balance of advantage has shifted somewhat towards the larger companies in economies that have seen significant devaluations, does this mean that corporations will generate jobs in the 1990s on a scale to rival the performance of small business in the 1980s? The answer may well hinge on structural changes at work in the global labour market, the impact of which can best be seen in the US.

Job generation by company size

Size	Net job creation	As % of 1987 employment
1-4	357	29.4
5-9	166	10.7
10-19	92	4.7
20-49	76	5.8
50-99	85	7.4
100-499	123	6.2
500-999	55	9.8
1000-4999	36	3.4
5000-9999	14	2.6
10000 +	125	3.7
TOTAL	1,127	7.7

Source: Job Creation 1987-89, Employment Gazette

Between 1979 and 1991 the level of employment in the Fortune 500 companies – a reasonable proxy for big business – fell from 16.2m to just under 12m. As a share of total (non-farm) employment that represents a spectacular fall from 18 per cent to less than 11 per cent.

The most important factor behind the decline is the emergence in the 1970s and 1980s of a global labour market. Business decisions about where to produce mainstream industrial products came to be made increasingly on the basis of global cost comparisons. In effect, the newly industrialising countries were embarking on a process of wage equalization with the developed world similar to the one that Europe embarked on with the US after 1945. Until the process of convergence in wages is complete, a tight cost discipline is imposed on companies in the developed world. Labour markets tend to polarise between skilled workers, who maintain or increase living standards, and less skilled workers who see a decline in real wages.

This cost discipline has been reinforced by other micro-economic trends such as the liberalisation of markets, technological innovation and the development of Japanese-style 'lean' production methods. The results of this explosive cocktail are reflected in the accompanying chart, extracted from Prosperity or Decline, a thoughtful piece of futurology by Giles Keating and Jonathan Wilmot of Credit Suisse First Boston (CSFB). The chart shows an attempt by the rating agency Moody's to construct a long-run set of figures to show the pattern of business defaults back to 1900.

The striking feature of the chart is the discontinuity in the decades that followed the second world war. The end of the Bretton Woods era of fixed exchange rates appears to have marked a shift to a less stable world in which corporations felt unable to offer the same degree of job security. The growth in self-employment and small business employment is, up to a point, the obverse side of that coin.

In a world where corporations sub-contract more activity to turn as many fixed costs as possible into variable costs, both the sub-contractors and the corporations can be better off thanks to efficiency gains. But as CSFB's Jonathan Wilmot points out, employment is less secure and the labour market is subject to 19th century-style booms and busts.

If this thesis is correct the recent rise in the household savings ratio in Britain is more than a temporary hangover after the 1980s debt party. It is a longer-term structural change, reflecting the growing propensity of nominal incomes to go down as well as up. And the trend will be strengthened, as the fall of communism and the spread of liberal economics propels more than 3bn people back into the global market for goods and capital.

Against that background, falling interest rates will not do much to stimulate new jobs. Fiscal policy will have to play a bigger part. Yet it cannot do so in countries such as Britain and the US, which face the 1990s from a position of budgetary weakness. The stimulus will have to come from Japan and continental Europe; to some extent it is already doing so. The structural, as well as short-term, factors thus suggest that the focus of job creation may be in the tradeable goods sector in Britain and the US – good for big business, but not such a favourable environment for job creation.

Charles Batchelor on ways to weather the recession

Survival of the fittest

Ray Neale has a nice little business making steel structures for the building industry in Portslade on the Sussex coast. Westwing Engineering employs seven people and has annual sales of just over £200,000.

The bad news is that two years ago Mr Neale was running an even bigger business, R Neale & Co, with twice as many employees and four times the turnover. But some of his customers could not pay and others would not pay, so the company collapsed.

R Neale made its own small contribution to the statistics which chart the swelling flood of bankruptcies. More than 46,000 businesses, mostly small, failed in the first nine months of this year, according to Dun & Bradstreet, the business information group.

One of the principal causes has been customers failing to pay their bills. "It was mainly bad debts," says Mr Neale. "The banks tell you to do a credit check on your customers but that doesn't mean a thing. Sometimes even your big customers go down while others tell you that they are not satisfied with the work you have done and hold back payment."

For a time it looked as though Mr Neale, 48, and with more than 30 years in the steel business, would have to sell his home to pay off debts of more than £70,000. But he managed to remortgage the house and start up in business again.

He is determined that things will be different this time. "I am very uptight about everything I do now," he says. "I chase people right down to the last penny."

Ray Neale has survived to fight another day. He has even taken over a smaller welding company which itself went under with debts of just over £6,000. But the increased rate of failure of well-established small businesses is causing concern.

"We are not dealing with businesses which have been reckless," says Mr David Swaden, a partner in insolvency specialists Leonard Curtis & Co. "What is worrying is that we are down to bedrock, family businesses which have used up their reserves and their energy fighting the recession."

It is often the smaller businesses, many of them set up during Mrs Thatcher's enterprise revival of the 1980s, which are the most vulnerable. Small companies may be more flexible than large corporations but they often lack the management expertise, the financial resources and the broad customer base which can help larger competitors ride out the recession.

Numerous studies have pointed to a shortage of capital and related financial problems such as excessive dependence on borrowings, poor financial management and the high level of interest rates as the main reasons for businesses failing.

Even well-managed businesses can be undone by events beyond their control. But a recent survey by the Manchester Business School revealed, to the researchers' surprise, that business owners did not blame outside events for the failure of their venture but accepted their own limitations as managers.

If the problems are within the control of the managers themselves what should companies do to survive the recession and stay out of the clutches of the insolvency profession? Experience suggests the following should be given priority:

- Realistic business planning. "Too many businesses set their plans on the assumption that nothing will go wrong," says Mr Swaden. Even in the best of times you must build room into your business plan to allow for setbacks. In a recession this becomes even more necessary.
- Accurate and timely financial information. "Companies frequently do not have efficient accounting systems so they do not know where losses are being made," says Mr Mike Wheeler, a turnround specialist at accountants KPMG Peat Marwick. "We go into some companies, even listed companies, and find there is financial chaos."
- Tight control of cash flow. Companies often do not understand the difference between cash flow, which is money in the hand to pay the wages, and profits, which are a book-keeping entry arrived after applying the relevant accounting conventions. Mr Lance Blackstone of accountants Blackstone Franks advises managers to review every stage in the production and sales cycle to see if can be shortened or reorganised to free more cash.
- Credit control. Put your credit policy down in writing and make someone responsible for enforcing it. Take credit references on all new customers and update them regularly. When dealing with new or risky customers you should protect your position by asking for personal guarantees, taking out credit insurance or by making partial shipment against part-payment. Do not allow long credit periods and chase up slow payers promptly but firmly.
- Keep on good terms with the bank manager. He should be given all the relevant data he needs. If anything goes wrong he should not be kept in the dark but you must have ready a plan to put things right. Check the terms and renewal dates of bank facilities and plan ahead for renewal meeting.
- Keep good stock controls. Boxes of unsold product gathering dust have to be financed and take up costly space. Computerised stock control systems are available but you can achieve a lot by walking round the warehouse to identify slow-moving items. Do not be afraid to discount, sharply if necessary, to move obsolete stock.
- Try to broaden your customer base. A range of customers means that it need not be the end if one large customer goes down.
- If financial problems are looming, act fast. It is easier to renegotiate a loan agreement with the bank manager or sell an unprofitable part of the business if your negotiating partner believes he is dealing with a sound business. If your difficulties are only too obvious your negotiating hand will be weakened.

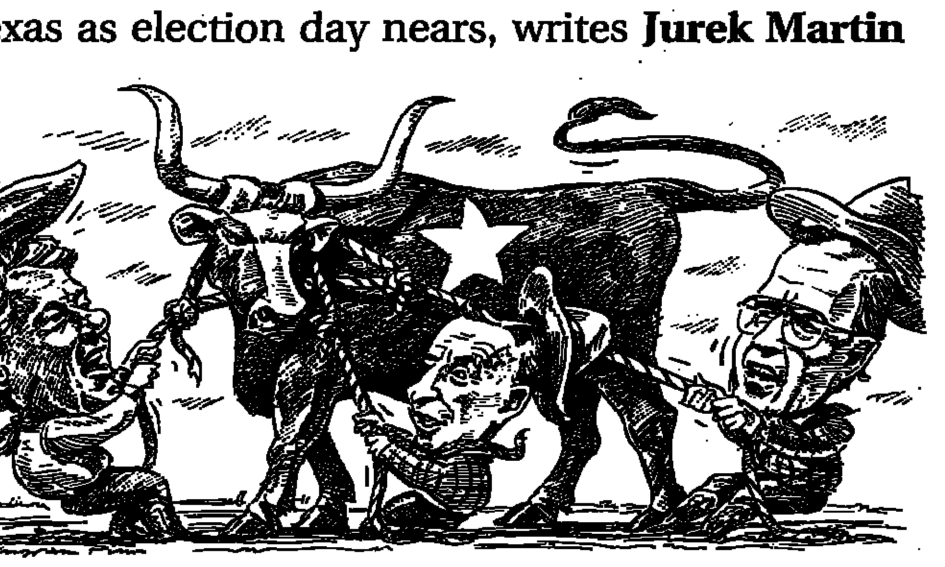
Many of the businesses which fail, particularly those with attractive products or a lucrative market niche, live on in some form – often under new ownership and with a reduced workforce. But this is little consolation to the original owners who may have lost their homes and livelihood.

Lydia van der Meer

Ray Neale: "Sometimes even your big customers go down"

Lone Star state of mind

All eyes are on Texas as election day nears, writes **Jurek Martin**



The coffee mug in Bill Hobby's office reads: "Life's too short not to live it as a Texan." Election day is now a short 4½ weeks away and the country is destined to live it with Texans on its mind.

George Bush, by adoption, and Ross Perot, by birth, claim the Lone Star state as home. The man who is likely to get the fourth highest number of votes for the presidency, Andre Marrou, the Libertarian party candidate, was born in south Texas. The invisible man, James Baker, who whispers into the president's ear, is a Houston blue blood. Even the fifth man and still favourite for the White House, Bill Clinton, was born just across its border.

Texas could be excused, therefore, for thinking itself the centre of the universe this year. Bill Hobby, its lieutenant governor for 14 years until 1990, will argue that the state is "a kind of microcosm of the nation".

Politically, the hypothesis holds water. Since the second world war, no Democratic or Republican has become president without carrying Texas. Until Senator Lloyd Bentsen, the Democratic vice-presidential candidate, went down to defeat four years ago, a Texan on the national ticket was a guarantee of success.

This political year began with the widespread assumption that nothing could prise Texas, the third most populous state in the nation, from the grip of its adopted native son, George Bush. Severely depressed four years ago, its economy, while not back to the glory days, looks better now. Its political class, a strong progressive strain notwithstanding, seemed more conservative. And there is no state where the appetite for "down and dirty" politics remains so keen.

Yet the president, with or without Ross Perot, is in trouble in Texas. He might still win it, though the polls now have him fractionally behind. But, the argument runs, if he cannot comfortably carry Texas, then all his previous electoral base south of the Mason-Dixon line and west of the Mississippi looks very fragile.

There are general and particular reasons for this frailty. Dave McNeely, political columnist on the Austin Statesman-American, simply says that Mr Bush "has lost touch" with the concerns of ordinary people, here and elsewhere. Bill Hobby says Mr Bush has "no particular claim on Texans, but then nor does anybody else". Mr Clinton does not attract enormous empathy either, but, as Jim Hightower, the former state agricultural commissioner, puts it, "you don't have to be in love to dance".

The Texas contrast with 1988 is especially marked. Then a well-financed Republican organisation, backed by an incumbent Republican governor in Austin, the state capital, had Mr Michael Dukakis firmly in its sights by midsummer. It had plenty of outside help, too. The National Rifle Association had been blanketing east Texas for weeks with posters and bumper stickers claiming that Mr Dukakis would take away the guns, AK-47s and tactical nuclear weapons that many east Texans use to transfer whatever flies or swims to the dinner table or trophy room.

Now, state patronage is in the hands of Ann Richards, the hard-nosed and still popular Democratic governor and a featured speaker at both of the last two Democratic conventions. Mrs Richards is not, according to those who know her well, over-enamoured with Mr Clinton. But she pulls weight and, according to Mr Hobby, "at least Texans can pronounce Clinton's name".

Texas has liberal voting and voter registration laws. Even the casual observer is more aware of public attempts to get people registered here than in any other state. According to Robert Stein, the Rice University pollster, the Democratic effort is proving particularly effective among Hispanics in Harris County, Houston, threatening to eat into Republican dominance of the area.

Equally, the Republican campaign is not firing on all cylinders. There has been internal dissension over who runs what, delays in setting up phone banks; and money is said to be in short supply, to the point that the Clinton headquarters, initially reticent about pouring funds into a Texas dry well, is sending down more financial lubricant.

But then along comes Ross Perot again. It is hard to find a public Texan, Democrat or Republican, who has a kind word to say about him. But observers such as Robert Stein concede Mr Perot has a state base in the Dallas-Fort Worth area, where he has been a large employer and which has a large concentration of military and retired people, who seem to like him.

Tactically, both national campaigns have been recently hewing to the good advice Governor Richards offered Mr Clinton some weeks ago about how best to deal with Mr Perot – "just don't get him mad". This resulted in the dispatch of delegations to his Dallas court on Monday, which the Republicans hoped might cause Mr Perot to forget certain earlier denunciations, of which "autocratic tycoon" and "lunatic" were among the more polite.

The trouble is that Mr Perot is indeed plenty mad, as his statement on Thursday demonstrated, and his temper will be made no sunnier by the fresh torrent of accusations about his singular ways. The worst of these concern his portrayal of his movement as "bottoms up", whereas evidence grows that it has been controlled tightly by the little man himself, including to the extent of investigating his own "volunteers" suspected of insufficient loyalty or other trangressions.

On Thursday he put up the shutters and said he would answer no questions on subjects unrelated to the real concerns of Americans, the definition of which rests exclusively with himself and his volunteers. Curiously, it is a defence that might work in the limited time before election day.

But the heavy odds are that Mr Perot cannot defy gravity and he knows it, too. The alternative explanation, therefore, is that he is a calculating businessman who is playing the political game for a profit, which can only be derived from the perception that he helped somebody else win. So deep is his presumed loathing of Mr Bush that all logic suggests he wants something from Mr Clinton. Giving Mr Perot the benefit of the doubt that he believes what he says, that means a commitment to budget cutting with a vengeance.

But that depends on him getting enough votes to make a difference. Ten per cent in Texas – the ballpark estimate of the best he will do there – may tip the balance to either candidate. But if Mr Clinton, or even, much more improbably, Mr Bush, feels that Texas is not necessary to win the White House, then Mr Perot's leverage remains hypothetical.

But, as a gamble, it is something that Texans, accustomed to drilling holes in the ground, understand. To turn around Bill Hobby's coffee mug, "some Texans are too short not to make life interesting".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

On the deeper causes of the pressure on Mr Kohl

From Mr Helmut Schmidt.

Sir, I read your editorial (October 1) with great interest and in complete agreement.

It is entitled "The pressures on Mr Kohl", but implicitly it also leads the reader to understand the hidden but compelling reasons for the recent currency turmoils. Yours is a voice of reason.

I deeply regret the superfluous verbal exchanges between ministers in London and in Bonn, as well as between the spokesmen of the two central banks.

If both sides had obeyed the rules of the European Monetary System, as they had been devised by Giscard d'Estaing and myself more than a decade ago, namely by a timely and adequate realignment of exchange rates, the turmoil and also the squabbling would not have occurred.

Helmut Schmidt,
2000 Hamburg,
62-Langenhorn,
Neubergerweg 80,
Germany

Nationalist answers evade 'green' global problem

From Ms Elaine Cruikshanks.

Sir, It is surprising to hear Colin Hines, a Greenpeace activist, proposing purely national solutions to global and environmental problems ("The green view on subsidiarity", September 16).

As the problems of Franco-German disputes over waste movements show, nationalist solutions shove the problem into somebody else's back yard. A practical subsidiarity would incorporate strong European guidelines with flexibility for national implementation.

Only in this way can the European Community avoid the mistakes of the US. There, a multiplicity of state regulations has distorted the market and rendered entrepreneurial waste management practice uneconomical. The Franco-German example shows that trade and good environmental practice must go hand in hand. Subsidiarity on environmental issues means strong EC guidelines adaptable to local circumstances, not fresh trade barriers.

Elaine Cruikshanks,
director of public affairs,
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Palindrome fever heightens

From Dr Cyril Sanger.

Sir, Mr Apsion's palindromes (Letters, September 26) result from the illogical way dates are usually written: day/month/year. His American friends, who use an even less sensible method (month/day/year), will encounter the first of their remaining seven 5-figure palindrome dates of the millennium on March 3 1993 and the rest at 13-month intervals, celebrating jointly with him on September 9 1999. The logical format is: year/month/day. Papers so marked may be arranged chronologically by sorting them in numerical order. I look forward to saluting with Mr Apsion the palindrome date 921129 (or 29.11.92).

Dr Cyril Sanger,
317 Lydecker Street,
Englewood,
New Jersey

Major eschewed a safety net

From Mr Alfred Doll-Steinberg.

Sir, The blizzard of criticism of John Major over sterling misses one important point. Mr Major knew he could have defended the currency by raising interest rates, either by two or three points, when the pound first started to come under pressure, or by swingeing amounts at the last moment (as Sweden and Eire did).

Not only did he choose not to inflict this burden on the economy; without the benefit of this safety net he deliberately raised his own profile in the psychological war against the speculators. He could hardly have been unaware that his credibility and standing would suffer even more damage if his tactic failed. Should we not admire this?

Mr Alfred Doll-Steinberg,
18 Holly Walk,
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A sure way to end speculation

From Mr David Gibbons.

Sir, After the recent pointless speculative run on the franc, can there really be any doubt that the markets are not capable of rational judgment? It is one thing to topple the currency of the UK, deep in recession and with a decimated industrial base, but quite another to turn on the franc. France boasts a healthy set of fundamentals.

Against the spirit of the ERM it may be, but one is tempted to applaud the Spanish central bank's decision to limit currency movements in order to end speculation. Perhaps in this way European monetary policy can be determined by rational beings, rather than by a mob of barrow boys.

David Gibbons,
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Dyfed SY23 3RD

History of gas-powered vehicles rewards study

From Mr E S Andrews.

Sir, I noted with interest your article "British Gas is to launch the first serious attempt to put gas-powered vehicles on UK roads" (September 30).

That is not strictly correct, because during the war years an attempt was made by Gas Power Conversions Ltd, a subsidiary of the United Kingdom Gas Corporation, to convert commercial fleets, notably dairy and bakery vehicles, to the use of town gas.

The on-vehicle gas was stored in bottles at a pressure of 3,000 psi and the storage station gas stored at a pressure of 5,000 psi.

Although the vehicles ran smoothly, economically and successfully, compression of the coal-based town gas created undue compressor maintenance troubles.

In parallel with this work, the then Ministry of Fuel, Light & Power had a programme to convert all local authority vehicles to the use of methane generated in sewage works digesters. That was based on work by (I believe) Wandsworth Council engineers and the use of equipment developed by my father, the then chief engineer of Gas Power Conversions Ltd.

After successful trials, the programme was abruptly stopped. The reason was that Lord Leathers, in charge of war transport in 1945, had peacetime connections with the petroleum industry. During the Conservative government of 1951, he was in charge of the co-ordination of transport, fuel and power. We were then technically in advance of Germany, where early work had been done by Erren.

It has taken 50 years seriously to consider the benefits of gas-powered vehicles. In the meantime other countries have not been so laggardly.

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Trafalgar House holders loyal

By Roland Rudd

INSTITUTIONAL shareholders at Trafalgar House, the property, construction and engineering group, under siege from Hongkong Land, yesterday indicated they were unlikely to sell any more shares.

Hongkong Land, one of the colony's leading property investment and development companies, has acquired 14.99 per cent of Trafalgar and is tendering for another 15 per cent. It has until the end of next week to try and increase its stake to 29.9 per cent.

Six of Trafalgar's 10 biggest shareholders, which sold between 5 and 15 per cent of their stock on Thursday, said they were unlikely to sell any more shares.

One institutional shareholder said: "Since Hongkong Land has set a floor of 85p – the price at which they bought the ordinary shares – there is little incentive for us to sell any more."

Some shareholders are also hoping that another company may be tempted to make a full bid for the group.

However, any hopes that this could come from Hanson, the Anglo-US conglomerate, were dashed yesterday by Lord Hanson. "Trafalgar is much more something for Hongkong Land on a long-term basis than it would be for Hanson."

Mr Simon Keswick, chairman of Hongkong Land, is also a non-executive director of Hanson.

Trafalgar is preparing to send a circular to its shareholders on Tuesday telling them that net borrowings for the financial year ended September 30 are less than £400m.

Sir Eric Parker, chief executive, said: "Hongkong Land's tender offer is an attempt to gain effective control of all our assets for an investment of some £175m. We are determined to try and stop them buying any more of our shares."

Trafalgar has also asked its financial advisers, Kleinwort Benson, to seek buyers for its hotels, which include the Ritz and the Stafford.

Clarke Foods' shares suspended

By Peggy Hollinger

CLARKE FOODS, the UK's second largest ice-cream maker and owner of Lyons Maid, is facing a severe cash crisis which yesterday resulted in the suspension of its USM-quoted shares at 8p.

The company is seeking an urgent capital injection which would buy time for the arrangement of a rights issue or some other form of equity finance.

The shares have fallen rapidly from their peak of 163p just four months ago, as Clarke encountered problems with the installation of equipment.

As a result, the company missed the two hottest months of the summer and achieved only 25 per cent of planned ice-cream sales. A £4m advertising campaign was virtually wasted as many consumers were unable to find the product in shops.

Last month Clarke recalled the interim dividend and announced it was in discussions with National Westminster about an overdraft facility. However, NatWest has demanded proof of a capital injection before agreeing to provide short-term working capital.

The company is believed to be in talks with Hillsdown Holdings, which holds more than 20 per cent of Clarke, about a possible solution.

Any injection is likely to result in changes to the board, of which Mr Henry Clarke, the inspiration and driving force behind Clarke Foods, is chairman. The Clarke family holding is also likely to be diluted from its current 25 per cent.

Mr Clarke's ice-cream pedigree goes back several years, to his promotion of the Klondike bar, America's best selling novelty ice-cream, in the 1970s. He has also had a volatile history, having been ousted from two separate companies.

Mr Clarke came out of a brief retirement to enter the UK ice-cream market through the USM-quoted investment vehicle, Yelverton Investments, which was transformed into Clarke Foods. The company owns the Fiesta, Horton and Lewis brands, purchased from Hillsdown Holdings in 1991, and Lyons Maid, bought in January from Allied-Lyons.

Scottish TV nearly doubled at £2.2m

By Raymond Snoddy

SCOTTISH TELEVISION yesterday announced improved pre-tax profits of £2.2m against £1.16m for the half year to June 30.

"In a period when trading conditions throughout the country stubbornly refused to improve these results are very satisfactory," Mr Bill Brown, the chairman, said.

There was a rise in programme sales from £7.73m to £9.5m and underlying costs in the main television business continued to fall, the company said.

Scottish benefited from a reduction in the Exchequer Levy from £2.3m to £549,000, but there was also an exceptional charge of £2m to pay for voluntary early leavers and redundancies.

Scottish, which retained its franchise unopposed with an annual bid of £2,000, said that it had been using this year for intensive preparation for the new 10-year licence period which begins in January.

"With the substantial reduction in our cost base we shall be able to take full advantage of the favourable conditions on which the licence was obtained," Mr Brown said.

Despite the depths of the recession, Scottish said its full-year result would be substantially ahead of last year's £8.6m. Mr Neil Blackley, media analyst at stockbrokers James Capel, is forecasting £13.5m after £4m in exceptionals.

Scottish believes that ITV will continue to be the most watched channel despite growing competition and that there will be real growth in airtime sales income across the decade.

Turnover at £57.2m was up from £52.1m. Earnings per share rose from 1.6p to 2.9p and the interim dividend is lifted from an adjusted 1.4375p to 1.725p.

Turnover at the company's main non-television business, the Pauline Hyde outplacement agency, rose from £4.12m to £4.66m.

Although the result was in line with expectations Scottish Television's share price closed yesterday 21p down on the day at 418p.

Fisons US operations chief resigns

By Paul Abrahams

THE HEAD of US operations at Fisons, the pharmaceuticals, scientific instruments and horticultural products company, has resigned following the group's failure to clinch the reintroduction of two of its withdrawn products in the American market.

Mr Stephen Attwood, president of Fisons Corporation and a director on the group's pharmaceuticals board, is leaving the company after 20 years. He was responsible for US sales and marketing operations as well as local regulatory affairs.

Fisons said the departure was entirely amicable.

Fisons' first half profits, announced last month, fell 58 per cent after pharmaceuticals sales fell £16m to £206m following the drugs' withdrawal. Mr Cedric Scroggs, chief executive, said the sales decline was unusual and unpalatable.

Opticrom, an eye treatment, was withdrawn from the US in 1989 after the Food and Drug Administration (FDA), the US drug licensing body, criticised production methods. In spite of a visit by FDA officials in April, the product is still not available in the US. The company said the fall in operating profits at the pharmaceuticals division from £68.1m to £23.1m for the first six months was partly caused by the absence of Opticrom and related problems.

The company has yet to decide whether to reapply for a licence for Imferon, a blood product, which was pulled in 1990. The cost of refurbishing the manufacturing facilities would be as much as £30m.

Fisons has also failed to gain a US licence for Tilade, its new asthma treatment, which was expected to be launched on the American market two years ago.

Davies & Newman faces drop in borrowing ceiling

By Jane Fuller

DAVIES & Newman, owner of the Dan-Air airline, is facing a considerably lower borrowing ceiling than the £35m agreed with the banks in last year's rescue.

This prospect lies behind the attempt to refinance the company with the help of Mr Richard Branson, owner of Virgin Atlantic Airways, who would put money in – about £10m has been mooted – possibly through a stake in Davies & Newman. The revamped airline would incorporate the Virgin name.

The looming debt overshoot had already led Mr David James, the company doctor-chairman at Davies & Newman, to approach institutional shareholders for another cash injection – believed to be about £40m.

This compares with last year's £49.3m, although more than £8m of that went out to the banks in special fees.

Last year's rescue was accompanied by the setting of a £35m limit on Davies & Newman's debt. This was linked to net worth which at the beginning of the year stood at about £41m.

Two things have happened since then to lower the debt ceiling. About £5m of aircraft have been sold, bringing the ceiling down to £30m.

In addition, instead of making a £20m pre-tax profit as projected, the company is heading for a loss which according to one estimate could be £10m.

Every £1 lost has the double effect of subtracting £1 from cash generation and £1 from the debt allowed. So the debt limit is heading for a figure nearer £20m than £30m.

The swing between peak cash and peak debt in the airline is estimated at £40m to £50m. As Davies & Newman will only just have got into double figures at its best time for cash, a debt limit near £20m was not going to be enough.

Mr James has reiterated that the problem is not an immediate one. He said the latest overdraft was "in low single figures".

However, as less flying and more maintenance work is done in the winter, the crunch would come next spring.

He said there was a substantial measure of agreement with Mr Branson on the principal parts of the deal. Detailed draft documents were being prepared and over the weekend groups of negotiators would continue to work on various issues.

The involvement of Mr Branson should make it a great deal easier to raise money from other investors, he added.

Former directors' payments push James Wilkes into red

By Peggy Hollinger

PAYMENTS to former directors helped to push James Wilkes, the engineer which earlier this year fought off a hostile bid from rival Petrocon, into the red with interim pre-tax losses of £316,000, against a profit of £2.75m last year.

About £1m was paid to four former directors, including ex-chairman Mr Stephen Hinchliffe who left the board during the Petrocon bid. The compensation payments were taken above the line for a total exceptional charge of £1.4m, compared with a £338,000 gain last year.

Mr Arthur Watt, chairman, said the company had suffered difficult trading conditions, particularly in the Presto machine tool and Deritend printing press subsidiaries. Sales in these two businesses had fallen by £3m to £4m in the first half, with profits down by £1m.

However, sales for the group as a whole were just £923,000 down at £28.4m. Operating profits for the six months to June 30 fell from £4m to £2.96m. Continuing businesses reported operating profits of £2.66m.

Mr Watt said Wilkes' remaining businesses had performed as well as, if not better than, last year. He said he expected the first half trading pattern to continue for the rest of the year. However, he added that he would be "devastated" if Wilkes remained in the red for the full year, before extraordinary items.

The chairman expected gearing to remain at the current 92 per cent, which was 72 points lower than last year. Interest charges were slightly higher at £1.9m (£1.6m).

The battle against Petrocon's bid cost Wilkes £1.6m in extraordinary items. The £612,000 loss on the sale of the aviation division was also taken below the line. Total extraordinary charges came to £5.1m, including the accounting requirement to write back £7.6m in goodwill which had previously written off.

As a result the retained loss was £6m, compared with a profit of £990,000. The interim dividend was cut by 1.5p to 3.25p while the loss per share was 2.3p (10.4p earnings).

B Elliott suspended

By Tim Burt

Shares in B Elliott, the machine tool and engineering company, were suspended yesterday following warnings that it expected to make significant losses for the year to April 3.

The company, which has seen its share price fall in the past 18 months from 80p to 3p yesterday, announced the suspension while talks continued with lending banks on restructuring the group.

The talks were initiated earlier this year following interim results which showed a £2.6m trading loss in the machine tools business.

Littlewoods expansion includes third store in St Petersburg

By John Thornhill

LITTLEWOODS, the privately-owned pools and retail group, will open an Index catalogue shop in St Petersburg later this month expanding its trading presence in Russia to three stores.

The company is also stepping up its expansion programme in the UK opening 10 stores over the next month creating 250 jobs. By the end of October, Index will have a chain of 128 outlets providing greater competition for Argos, which is currently the clear market leader in the catalogue shop sector.

Littlewoods entered the Russian market a year ago when it opened one hard currency and one rouble store in the Gostinii Dvor shopping complex in St Petersburg.

Although the stores have recorded strong sales they have had grave problems combatting shoplifting and more violent break-ins. Littlewoods has had to employ a team of security guards and take measures to prevent criminals entering the stores by smashing its windows.

The Index store in St Petersburg will trade alongside the two other Littlewoods outlets. It will sell about two-thirds of the 2,000 lines normally stocked in Index stores in the UK and accept payments either in hard currencies or roubles.

Mr James Higginbotham, Index managing director, said he was well aware of the need for additional security measures. He added that Index would consider opening more stores in Russia after fully evaluating whether the catalogue concept was suitable for the local market.

NFC £82.5m convertible bond issue

NFC, the transport and distribution group, has issued £82.5m of convertible bonds to refinance part of its bank debt, writes Richard Waters.

The bonds are convertible from March 1998 at 300p. The premium, 18.6 per cent over the share price of 253p yesterday, is marginally higher than the 16 per cent premium on the last convertible bond issue by a UK company, Carlton Communications.

The bonds have a 15-year life and carry a coupon of 7¾ per cent - 1½ per cent below the yield on UK gilts with a similar maturity.

Clifford Foods declines 60%

By Paul Taylor

CLIFFORD FOODS, the dairy products, fruit juice and food group which issued a profits warning in July, yesterday reported a 60 per cent decline in pre-tax profits which fell from £2.55m to £1.03m in the first half of 1992.

Turnover was little changed at £70.1m, compared with £70.3m.

As foreshadowed by Mr John Clifford, chairman, in the group's 1991 report and accounts, the period was affected by the substantial costs of modernising the Kidlington dairy, turning it into an automated carton milk unit.

Profits were further reduced by the effects of the continuing recession on the sales of convenience foods by Danby's Foods and Roy's Quality Foods, and particularly by price-cutting among companies supplying milk in non-returnable containers to supermarkets, an area which generates more than a quarter of group turnover.

Operating profits fell to £1.33m (£2.93m) with a further £120,000 (£126,000) from associates. Net interest payments declined to £380,000, against £401,000.

During the latest period the company said fruit juices and drinks continued to perform well, as did doorstep milk rounds which are now about two-thirds franchised. Meanwhile Morton Food's new crumb factory generated significant new business.

Mr Martin Bunting, chief executive, said the group expected trading levels in the second half to be significantly better than in either the first half or the 1991 second half. Poor weather in July and August depressed fruit juice sales, but milk prices have been increased.

In addition Mr Bunting noted that the group's new fruit juice carbonation plant had started production in July and Roy's new factory was completed in August, drawing a large capital expenditure programme towards a close.

Earnings per share fell by 60 per cent to 4.11p (10.23p). The company is dipping into reserves slightly to pay an unchanged interim dividend of 4.4p a share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adwest Group ....fin	5.75	Nov 27	5.75	7	7
Amstrad ....fin	nil	-	1	0.4	1.4
Ash & Lacy ....int	2.5	Nov 20	2.5	-	6.4
Bilton ....int	5.67	Dec 4	5.67	-	18
Clifford Foods ....int	4.4	Nov 13	4.4	-	11.5
Dolphin Pack'g ....int	1.7	Nov 12	1.7	-	4.5
Martin (Albert) ....int	1.7†	Jan 4	1.7	-	4.4
Scottish TV ....int	1.725	-	1.4375*	-	8
Wilkes (James) ....int	3.25	-	4.75	-	10

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	118	95	Broadgate Inv Trust	95		-	-	-	-
-	F.P.	-	33	30	Do. Warrants	33		-	-	-	-
-	F.P.	-	13	7	Dartmoor Warrants	11		-	-	-	-
-	F.P.	-	32	19	Dwyer A	21	+2	-	-	-	-
-	F.P.	-	91	79	European Smaller Co's.	81		-	-	-	-
-	F.P.	-	23	18	Do. Warrants	19		-	-	-	-
-	F.P.	-	150	145	Finsbury Smlr Co's Zero Pf	149		-	-	-	-
-	F.P.	-	253	98	SHIRESCOT	98		-	-	-	-
-	F.P.	-	31	19	Do Warrants	19		-	-	-	-
#	F.P.	-	1700	1700	TR Technology Units	1700		30.15	-	2.4	-
120	F.P.	-	191	169	♦Tepnel Diagnostics	191	+1	-	-	-	-
-	F.P.	-	14	10	Throg 1000 Smlr Co's Wts	12		-	-	-	-
-	F.P.	-	16	9	Yorkshire TV Warrants	9	-½	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100α	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	107¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
27	Nil	12/11	8pm	2pm	Aviva Petroleum	2pm	-1½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. # Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are shown on page 11.

Calls in Natl. Power, PowerGen, Premier Cons., Royal Insce., Tarmac and Trafalgar House. Put in Dolphin Packaging. Double in ASDA.

Unlocking value for shareholders

Richard Gourlay considers the departure of Chubb from Racal

ON MONDAY official trading will begin in Chubb Security and what is left of its erstwhile parent, Racal Electronics, as Sir Ernest Harrison, its chairman, continues to break up the group he founded 27 years ago.

As expected, Racal's shareholders yesterday approved the demerger. Now instead of the five old Racal shares they held, they will have one new Racal and one Chubb.

It was the last formality before the security company was able to float free of the group it has nurtured with its cash flow for much of the eight years it has been part of it.

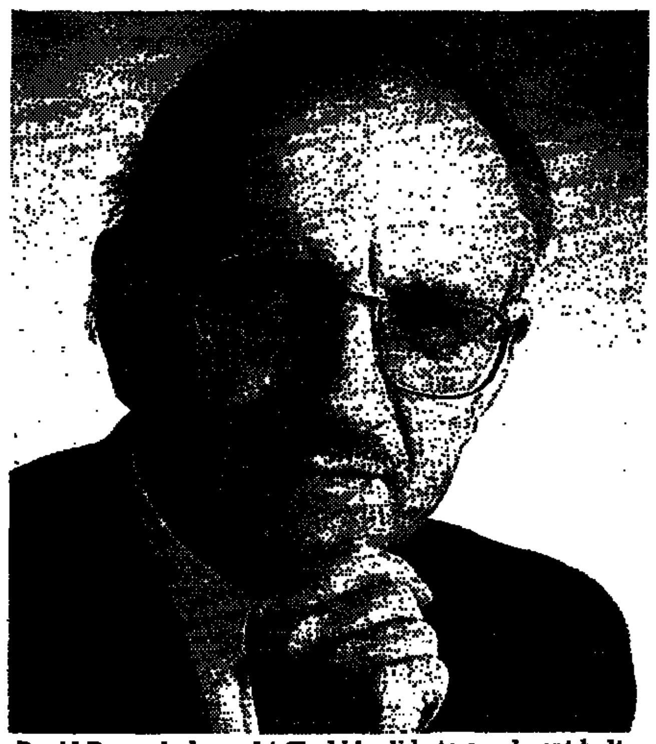
Looking back on Racal's exceptionally successful 1991 demerger of Vodafone, the cellular network service, shareholders might be tempted to think their feisty chairman's latest ruse to enhance shareholder's value will be equally rewarding.

This may be so. But with the two companies telling completely different stories, Racal shareholders face an interesting decision whether to hold or dispose of their shares at current prices.

Chubb is one of the oldest and best known brand names in the security market and the thoroughbred in Racal Electronics' stable once Vodafone was split off.

As the poor cousin of Vodafone, Chubb was languishing, the victim of a lamentable lack of management attention which, perhaps understandably, was focused on the rise and rise of Vodafone.

The arrival of Mr David Peacock as chief executive brought the slide to an abrupt halt. With falling interest and exceptional charges and rising margins, Chubb's brokers are forecasting that earnings per share will grow by 33 per cent, 20 per cent and 17 per cent over the next three years.



David Peacock: brought Chubb's slide to an abrupt halt

Clearly the fact that there is scope for such an improvement is testimony to the laxity of the previous management. It also means that Chubb shareholders should enjoy three years of above average earnings growth, even without any sales-led expansion.

If Mr Peacock manages to exploit its strong brands, including Chubb, Union, Lips and Pyrene, and expand what is still a relatively small share of its markets, earnings progression could be even better.

These forecasts alone would seem enough to support a hold recommendation at yesterday's closing price in the grey market of 201p, which represents a 30 per cent premium to the market.

There is also the possibility that Chubb might become the target for a predator.

Williams Holdings bought Yale & Valor, the locks company, last year for £406m, the same as the company's annual sales. On that basis Chubb should be worth £670m, which is 20 per cent above the £560m market capitalisation implied by the grey market closing price.

Racal Electronics, shorn of Chubb, is a different story. Racal's profitability recovered strongly in the year to the end of March and is likely to continue to improve again this financial year.

But the mixture of businesses – data communications, commercial and military radio, marine services, defence radar and avionics and network services – is coming from a low base.

Adjusted to exclude Vodafone and Chubb, Racal would have made an operating loss of £11.5m in the year to March 31 1991, swinging to a profit of £49.3m on sales of £937.3m the following year. But that is only an operating margin of about 5 per cent.

The main problem is data communications, which accounts for nearly a third of sales but barely broke even at the operating level.

Racal is aware that data communications, mainly data modems, which is increasingly becoming a commodity business, is the area that requires immediate attention. Mr David Elsbury, the chief executive says he is addressing this issue.

But analysts point out that the management that got Racal into this dismal operating condition is broadly the same one as is at the helm today.

That does not mean shareholders should necessarily dump their holdings. Again reduced interest and exceptional charges will be a tremendous boost to earnings. And if the turnround at data communications is accompanied by further improvement at the radio division – and both propositions are less than certain – the share price would be underpinned by above average earnings growth.

More to the point, at yesterday's grey market closing price of 129p Racal ex-Chubb would have a market capitalisation of £359m, representing a discount to net asset value.

Any further share price fall would mean that a bid was on the cards.

Chubb faces strike threat over wage freeze

By David Goodhart, Labour Editor

CHUBB GROUP could face strike action over its attempt to impose a six month wage freeze on the 530 workers in the lock, key and safe manufacturing parts of the company.

The union which represents the workers believes that in the course of the demerger with Racal Electronics the Chubb directors have placed the company's image with City investors above fair treatment of employees.

Mr Michael Bradley, leader of the National Union of Lock and Metal Workers, said that Chubb was expecting a 35 per cent increase in profits to £28m in the seven months to October 9 and yet had imposed a pay freeze in August.

"We weren't happy about the pay freeze in the light of those profits. We think it's political. They are just doing it to impress the City with how tough they are," said Mr Bradley.

After talks with the union the company agreed to pay a 4.5 per cent increase from February next year, which would be the equivalent of an annualised increase of 2.25 per cent.

But that was rejected by the union which then balloted its members on strike action. A total of 499 workers out of 530 voted for strike action.

Mr Bradley said that he believed a similar wage freeze had been imposed on employees in other Chubb companies and that so far it had been accepted.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 03.10.92: Pool purchase price £/MWh	Final Prices for Trading on 03.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.88	20.42	21.81
0100	18.49	19.52	20.98
0130	18.49	19.52	20.97
0200	18.49	19.52	20.97
0230	18.49	19.52	20.97
0300	17.70	17.58	17.58
0330	17.69	17.58	17.58
0400	17.59	17.56	17.56
0430	17.58	17.56	17.58
0500	17.58	17.56	17.58
0530	17.48	19.89	21.43
0600	17.46	19.89	21.43
0630	17.46	19.89	21.42
0700	21.09	19.89	21.45
0730	20.70	20.35	21.88
0800	21.94	22.69	24.28
0830	22.54	22.43	24.00
0900	24.50	24.08	25.70
0930	24.50	31.50	33.39
1000	25.99	31.50	33.38
1030	25.99	31.50	33.31
1100	25.99	26.95	28.58
1130	24.50	25.52	27.20
1200	24.50	25.62	27.21
1230	24.50	24.08	25.62
1300	24.50	23.11	24.64
1330	24.50	22.11	23.62
1400	17.71	17.85	17.85
1430	17.69	17.71	17.71
1500	17.59	17.70	17.70
1530	17.64	17.71	17.71
1600	17.64	17.71	17.71
1630	17.70	17.75	17.75
1700	17.73	17.85	17.85
1730	24.50	21.88	23.37
1800	24.50	23.11	24.65
1830	24.50	23.11	24.65
1900	24.84	22.11	23.62
1930	28.04	17.82	17.82
2000	28.04	22.11	23.62
2030	28.00	28.00	29.64
2100	24.84	28.00	29.63
2130	24.84	28.00	29.66
2200	23.09	22.37	23.89
2230	21.83	22.37	23.90
2300	20.98	22.37	23.91
2330	20.98	22.37	23.92
2400	20.42	20.36	21.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.84/MWh becomes 1.684p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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A time to test the strengths of the rising son

Robert Hanson talks to **Roland Rudd** about his promotion to the board of the family firm

WHEN THE son rises, the share price often falls. Fund managers are nervous about backing companies managed on dynastic rather than meritocratic principles.

So the appointment of Mr Robert Hanson to the board of Hanson, the Anglo-American conglomerate created by his father Lord Hanson, has raised eyebrows among fund managers, who fear the promotion smacks of nepotism.

Last week, after news of Mr Hanson's promotion to the board chaired by his father, the company's shares dropped 3p on a day the market rallied.

Mr Hanson, who celebrates his 32nd birthday today, is adamant it was coincidence. "The idea that I am being groomed for chief executive or chairman is ridiculous", he says in an interview with the Financial Times.

As a director with special responsibilities for Europe his office, in the group's London headquarters in Grosvenor Place, is strategically placed on the sixth floor between his father's and that of Mr Derek Bonham, chief executive.

"Life may not always be fair and other executives here may feel they should be on the board. But Mr Bonham wanted me on the board which approved my appointment. There will be no dynasty here because Hanson is a meritocracy."

Yet the possibility that the company could become a Hanson dynasty has upset some managers. A former executive said one of his nightmares was that he would come in one day to find Mr Hanson his boss. "I did not go into business to serve a family," he said.

Mr Hanson always thought he might go into the family business, but by that he means Hanson Transport, the privately-owned transportation company in Huddersfield, and not the publicly-quoted Hanson.

Indeed, he always assumed that he would never work for Hanson. When he joined NM Rothschild in 1983 Sir Evelyn de Rothschild asked him how he wanted to be treated at the merchant bank. Did he regard merchant banking as his career or was he about to leave after a year or two to join his father's company?

Mr Hanson made it clear that he thought it unlikely that he would ever join Hanson. "If it was a small company it would be easy to join but it had become more daunting to join as it grew bigger."

If Sir Evelyn believed him most of his colleagues at work did not. A contemporary at Rothschild says: "No one ever doubted that he would eventually join his father. I think that explained his extraordinary confidence."

After a spell in Hong Kong and then in Chile, he was posted to Spain to establish a fund management business. In early 1990, nine months after running the new venture, he received a call from his father to join Hanson.

"I immediately wanted to know what my prospects would be at Hanson. I knew both my father and Gordon (Lord White) were going to retire by the end of 1997. I had to think very carefully about whether I wanted to move.

"My father told me I could make of the job what I wanted. If I did well I could get on the fast track."

In May he joined as an associate director.

Mr Hanson says his father's relationship with him at work is no different from that Lord Hanson has with any other executive. He admits to being more adept, though, at avoiding Lord Hanson's legendary short fuse. "But if I screw up he will let off at me like anyone else."

Over the last two years Mr Hanson has worked on acquisitions with Mr Christopher Collins, who is married to a niece of Lord Hanson's. He was closely involved in the possible bids for PowerGen, the electricity generator, and Canary Wharf, the troubled property development, and helped draw up the plan to take a 2.8 per cent stake in Imperial Chemical Industries.

All three targetted companies were politically sensitive and appeared to consume a lot of the conglomerate's time. Mr Hanson believes it was time well spent.

"We looked at them because of the economic and financial possibilities. Frankly, I do not give a damn about the politics. Other people here can look after that. They were also a smokescreen. While the press concentrated on these big deals we were also looking at hundreds of other deals in private."

Mr Hanson believes that the next big deal will be in Europe. Lord White, who remains in charge of acquisitions, bemoans the fact that big undervalued and poorly managed companies no longer exist.

"I believe they do exist", says Mr Hanson. "They are in Europe. One of my responsibilities is to look at the Continent more seriously. We have traditionally been nervous about buying companies on the Continent.

"Yet there are many undervalued and poorly managed conglomerates on the Continent. We have already looked at a number of different European companies. It is only a matter of time before we buy a big European group."

To take advantage of the opportunities of his new directorship Mr Hanson is aware that he has to play down the playboy image. "I think things have changed since the fifties when it was cool to be seen out with film stars". His father was famous for being in the company of such people, but in the nineties "glamour does not mix with seriousness", he says.

At Eton and St Peter's College, Oxford, Mr Hanson's taste for the fast life was well known, not least for his involvement in the notoriously riotous Assassins dining club and the Bullingdon – whose members were once photographed in the tabloids making Nazi salutes after a riotous dinner. Mr Hanson was not a member at the time.

His involvement in such clubs proved a salutary lesson. "I learnt to me more careful and I know the power of the press."

As a bachelor, he has his own polo team, the Bulldogs, and spends weekends at his Berkshire home. Friends still talk of his thirtieth birthday party which turned out to be an all-weekend affair for those staying with him. The tabloids hailed it as the "bash of the decade".

With 3.7m Hanson shares – worth £7.7m at yesterday's closing price – Mr Hanson points out that he has every incentive to make a success of his new job. "With 90 per cent of my wealth in one basket it is important to have as much say as possible. I sleep better at night because I work here."

Robert Hanson: there will be no dynasty

Restructuring helps Adwest rise to £7.5m

By Peggy Hollinger

RESTRUCTURING appears to be paying off at Adwest, the engineering, property and power systems company, which yesterday announced a 6 per cent rise in annual pre-tax profits to £7.53m.

Mr Fred Grant, chairman, said that failing the long promised economic recovery, "any success we have been able to achieve has been largely of our own making." He remained cautious about the current year, despite a good first quarter. "We are running the business on a very short rein ... but we can still see soft spots in the economy."

Operating profits for the year to June 30 increased by 12 per cent to £10.1m on sales just 4 per cent ahead at £127m.

A significant turnround in the power systems division, which includes the previously loss-making defence business, was partly behind the increase.

Power systems had contributed slightly more than one-third of operating profits, against about a quarter last time. Defence acounted for about £20m of total sales.

The automotive division, which supplies components to Land Rover, Jaguar, and Peugeot, had increased margins despite a £1m loss in the power steering business.

Mr Graham Menzies, managing director, said he was reasonably confident that the power steering operation would be profitable in the current year, following the closure of a factory and increased sales to Japanese manufacturers such as Nissan.

Property profits were down by £1m to about £4m. The decline was due to the absence of exceptional dealing profits which came to £1.25m in 1991.

Mr Grant said the company had sold 186 houses in its joint venture with Bryant, compared with 146 last time. However, a move towards smaller houses meant the average price fell from £84,000 to £79,000. Margins had also declined.

The rent roll on the group's investment properties had been increased from £2m last year to £2.5m.

After two years of restructuring, Adwest had cut costs as far as possible, Mr Grant said. About 800 jobs had been eliminated in the past two years, bringing the total to 2,485. The emphasis now would be on increasing productivity.

The company was confident that it could increase sales per employee from £51,500 to £55,000 in the current year.

Earnings per share were 0.4p higher at 8.6p and the final dividend was maintained at 5.75p for a total of 7p. The shares rose 7p to close at 120p.

Carlisle interim losses deepen

Carlisle Group, the property services company, reported increased pre-tax losses of £707,000 in the first half of 1992, against £549,000. Turnover fell 22 per cent from £2.54m to £1.98m.

Mr Jonathan Harris, chairman, said trading conditions had been extremely difficult and the cutting of costs continued.

Losses per share were 2.1p (2.7p) after a tax credit this time of £143,000. Again there is no dividend.

NEWS DIGEST

Bilton rises 7% to £8.88m

PRE-TAX profits of Bilton, the property investor and construction company, moved 7 per cent ahead in the six months to June 30 from £8.33m to £8.88m.

Turnover from trading activities fell from £9.27m to £5.55m.

Property and investment contributed more at £11.4m, against £11.1m last time, while there was a fall from £594,000 to £386,000 in construction and housing. The pre-tax result was after administrative expenses of £1.04m (£1m) and interest charges which fell from £2.32m to £1.9m.

An unchanged interim dividend of 5.67p is being paid from earnings per share of 13.9p (13.1p).

Dolphin Packaging falls 45% to £0.79m

Lower selling prices in Dolphin Packaging's markets, which reflected reductions in the costs of polymers and increased competition, led to a 45 per cent drop in pre-tax profits from £1.43m to £789,000 in the half year to June 30.

The company, which produces plastic packaging, primarily for the food industry, saw turnover fall from £13.9m to £12.3m. The interim dividend is being held at 1.7p, payable from earnings per share of 2.39p (4.98p).

Rea Holdings declines to £193,000

A drop in pre-tax profits from £255,000 to £193,000 was announced by Rea Holdings, the plantation company, for the six months ended June 30.

Turnover declined from £41.1m to £39.9m.

Mr Richard Robinow, the chairman, said that while crops were encouraging, tea prices continued at levels just insufficient to achieve a break-even position in the Bangladesh operation. Plantations reported a loss of £36,000 (£22,000 profit) for the period.

Product merchanting increased to £169,000 (£111,000) but margins had been under pressure, while storage, which advanced to £191,000 (£176,000), had a high occupancy level, he said.

Earnings fell to 0.1p (0.5p) per share.

Overseas boost for Albert Martin

Albert Martin Holdings, the Nottinghamshire-based clothing manufacturer reported interim pre-tax profits ahead 7.5 per cent. UK operating profits fell but there was a 21 per cent rise in overseas profits.

Mr Martin Kidd, executive chairman, said the UK profit had fallen despite its business for Marks and Spencer continuing to progress.

Profits for the six months to June 30 were £572,000 (£532,000) on turnover improved from £30.7m to £33.6m, an increase of 9.2 per cent. Earnings per share came out at 2p (2.1p) after a higher tax charge and minority interests.

The interim dividend is maintained at 1.7p.

The company is proposing to change its name to Martin International Holdings.

Mining & Allied Supplies £1.9m buy

Mining & Allied Supplies has completed its £1.9m acquisition of Anti-Friction Components, a distributor of bearing and transmission parts.

MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday October 2 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Oct 1: Index No.	Wed Sep 30: Index No.	Tue Sep 29: Index No.	Year ago (approx): Index No.	1992 High		1992 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (174)	752.93	-0.7	7.70	5.80	16.81	26.19	758.26	752.79	755.54	848.71	929.04	20/5	664.23	9/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (23)	697.04	-0.4	7.55	7.89	18.70	30.02	700.08	710.86	713.57	1026.64	1121.52	11/5	617.65	9/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (26)	617.04	-0.2	3.17	8.16	30.15	29.27	618.50	612.60	610.70	1149.26	1069.64	11/5	485.72	9/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (9)	2038.53	-0.4	8.24	7.38	16.04	85.80	2047.59	2095.60	2103.84	2639.23	2758.50	22/5	1899.78	16/9	3040.80 8/9/89	84.71 25/6/62
5 Electronics (27)	2059.26	....	7.88	4.10	15.82	47.93	2059.98	2035.54	2043.08	1802.85	2080.64	13/5	1655.93	13/1	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (6)	285.67	+0.7	12.62	8.17	10.05	13.53	283.64	279.06	274.80	373.23	406.10	20/5	273.62	28/9	502.42 13/6/90	273.62 28/9/92
7 Engineering-General (43)	455.10	-0.1	8.88	5.17	14.37	14.37	455.52	452.72	461.89	500.15	567.62	20/5	409.31	9/9	567.62 20/5/92	339.57 23/1/91
8 Metals and Metal Forming (7)	316.77	+0.3	5.48	6.91	26.50	7.52	315.73	307.70	305.50	453.80	379.31	18/5	255.51	8/9	596.67 9/10/87	49.65 6/1/75
9 Motors (14)	296.36	-2.0	8.94	7.97	14.72	14.69	302.48	302.05	304.28	349.76	403.06	21/5	274.42	1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrials (19)	1747.54	-1.6	7.18	4.77	16.83	57.80	1775.19	1749.65	1751.95	1636.36	1906.65	11/5	1480.17	9/9	1906.65 11/5/92	277.55 15/1/81
21 CONSUMER GROUP (192)	1585.44	-0.9	7.27	3.64	17.05	32.79	1599.18	1584.65	1595.99	1559.77	1761.38	11/5	1446.17	25/8	1761.38 11/5/92	61.41 13/12/74
22 Brewers and Distillers (25)	1892.38	-2.9	8.81	3.89	13.69	41.39	1949.71	1927.47	1977.33	1953.18	2278.85	11/5	1825.24	28/8	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing (19)	1198.49	....	8.94	4.41	13.83	28.04	1198.39	1191.48	1201.52	1237.61	1327.80	11/5	1064.95	10/9	1327.80 11/5/92	59.67 11/12/74
26 Food Retailing (18)	2746.29	-0.6	9.02	3.37	14.38	48.07	2764.01	2710.17	2721.20	2546.62	2998.16	18/5	2293.80	10/1	2998.16 18/5/92	54.25 11/12/74
27 Health and Household (26)	4098.17	-0.2	5.40	2.70	21.46	68.85	4107.77	4057.79	4054.80	3722.46	4654.94	14/1	3648.63	26/8	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure (18)	1084.92	-0.5	7.25	6.29	18.15	38.53	1090.76	1074.29	1067.87	1340.58	1450.36	13/5	898.80	16/9	1845.77 8/9/89	54.83 9/1/75
30 Media (26)	1603.57	-0.8	6.15	3.28	20.26	32.89	1617.22	1618.77	1624.16	1528.72	1721.09	11/5	1376.55	25/8	1721.09 11/5/92	1166.91 16/1/91
31 Packaging, Paper & Printing (17)	728.68	-1.7	6.96	4.44	17.88	22.00	741.57	741.54	734.68	779.26	875.53	13/5	633.17	16/9	875.53 13/5/92	43.46 6/1/75
34 Stores (34)	1022.39	-0.3	6.94	3.55	19.20	18.84	1025.54	1024.33	1035.06	996.52	1135.66	27/4	907.08	25/8	1160.58 29/7/87	52.63 6/1/75
35 Textiles (9)	678.82	+1.0	6.99	4.52	18.00	16.42	671.97	667.02	670.12	633.10	756.70	8/5	551.94	25/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (116)	1272.96	-0.7	9.82	5.33	12.75	39.94	1281.90	1286.53	1286.40	1319.16	1359.32	11/5	1140.56	3/4	1359.32 11/5/92	58.63 6/1/75
41 Business Services (17)	1320.59	-1.2	6.79	3.99	18.07	23.67	1336.35	1347.52	1353.56	1447.24	1511.16	11/5	1160.34	1/9	1511.16 11/5/92	892.28 1/2/91
42 Chemicals (22)	1345.60	-1.2	7.29	5.39	17.04	48.13	1362.04	1361.08	1377.89	1468.61	1629.99	8/5	1243.05	1/9	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates (10)	1236.55	-1.1	9.32	8.90	13.73	38.55	1250.37	1257.72	1273.57	1534.62	1509.94	11/5	1087.92	2/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	2465.20	-2.4	8.16	4.80	15.09	74.86	2524.92	2526.31	2493.60	2415.58	2790.11	20/5	2133.26	26/8	2790.11 20/5/92	90.80 29/6/62
45 Electricity (16)	1405.32	+0.2	14.80	5.22	8.71	55.01	1402.82	1427.11	1402.04	1273.53	1427.11	30/9	1044.63	7/4	1427.11 30/9/92	994.96 7/1/91
46 Telephone Networks (4)	1446.88	-0.2	10.44	4.56	12.48	46.15	1450.30	1435.44	1439.71	1636.61	1505.86	22/5	1274.20	3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	2929.05	+2.0	15.27	5.91	7.25	86.85	2871.66	2971.26	2925.98	2536.23	2971.26	30/9	2140.95	8/4	2971.26 30/9/92	1820.20 1/5/90
48 Miscellaneous (22)	2135.59	-1.6	6.18	4.72	20.30	55.15	2169.82	2171.99	2184.14	1912.67	2233.69	24/9	1770.94	3/1	2233.69 24/9/92	60.39 6/7/75
49 INDUSTRIAL GROUP (482)	1277.34	-0.8	8.18	4.56	15.32	33.98	1287.37	1281.42	1286.76	1309.68	1427.97	11/5	1168.49	1/9	1427.97 11/5/92	59.01 13/12/74
51 Oil & Gas (18)	2048.33	-0.3	6.59	6.33	19.90	84.69	2054.49	2025.80	2025.47	2449.55	2226.66	2/1	1756.72	7/8	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1348.71	-0.7	8.01	4.75	15.70	37.99	1358.62	1351.01	1356.04	1407.76	1493.99	11/5	1228.86	26/8	1493.99 11/5/92	63.49 13/12/74
61 FINANCIAL GROUP (83)●	754.24	-0.6	-	5.85	-	29.00	758.63	751.29	754.02	821.63	802.65	20/5	631.13	25/8	896.67 13/10/87	55.88 13/12/74
62 Banks (9)●	1023.87	-0.2	5.06	5.43	29.66	39.95	1025.86	1011.56	1018.30	965.72	1056.33	25/9	790.95	3/4	1056.33 25/9/92	62.44 12/12/74
65 Insurance (Life) (6)	1548.51	-2.3	-	5.87	-	66.22	1584.33	1577.33	1577.75	1527.20	1613.38	21/5	1243.61	6/4	1632.53 4/9/91	44.88 2/1/75
66 Insurance (Composite) (7)	536.94	-1.1	-	5.60	-	16.37	542.68	539.62	539.68	627.69	564.54	13/5	418.66	27/7	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	700.64	+0.3	10.15	8.02	12.94	39.90	698.41	691.75	701.05	1176.29	1031.35	27/1	527.43	25/8	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	460.46	....	-	4.86	-	13.08	460.66	462.47	463.76	482.91	521.89	22/5	395.41	28/8	547.59 12/10/87	31.21 7/1/75
69 Property (30)	551.41	-0.7	10.22	8.02	12.98	22.28	555.07	551.62	547.96	945.16	799.69	20/1	464.71	16/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (14)	242.77	+0.1	8.23	6.87	15.95	7.81	242.58	241.73	242.19	257.79	271.79	26/5	215.81	2/9	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (70)	1136.58	-0.6	-	3.95	-	26.39	1143.99	1135.63	1146.21	1254.43	1273.08	11/5	1024.12	25/8	1323.81 4/1/90	71.12 13/12/74
99 ALL-SHARE INDEX (653)●	1205.07	-0.7	-	4.87	-	35.34	1213.65	1206.16	1210.80	1266.15	1326.36	11/5	1086.13	25/8	1326.36 11/5/92	61.92 13/12/74
	Index No	Day's Change	Day's High (a)	Day's Low (b)	Oct 1	Sep 30	Sep 29	Sep 28	Sep 25	Year ago						
FT-SE 100 SHARE INDEX‡	2549.7	-22.6	2585.0	2544.9	2572.3	2553.0	2565.5	2560.0	2601.0	2624.6	2737.8	11/5	2281.0	25/8	2737.8 11/5/92	986.9 23/7/84

FIXED INTEREST

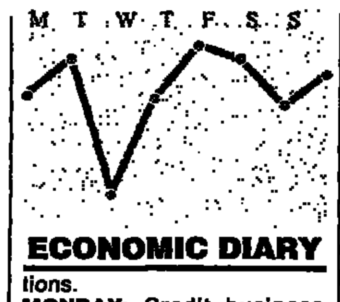
PRICE INDICES	Fri Oct 2	Day's change %	Thu Oct 1	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (22)	125.09	-0.03	125.12	2.30	9.31
2 5-15 years (25)	138.42	-0.48	139.08	1.95	10.59
3 Over 15 years (8)	142.92	-0.41	143.50	1.55	9.97
4 Irredeemables (6)	161.38	-0.14	161.60	3.56	8.83
5 All stocks (61)	136.00	-0.32	136.44	2.07	10.25
Index-Linked					
6 Up to 5 years (2)	175.96	+0.04	175.88	0.49	3.25
7 Over 5 years (10)	158.06	-0.07	158.18	0.87	3.64
8 All stocks (12)	159.33	-0.06	159.42	0.82	3.56
9 Debs & Loans (62)	116.81	-0.30	117.16	1.97	9.40

AVERAGE GROSS REDEMPTION YIELDS			Fri Oct 2	Thu Oct 1	Year ago (approx.)	1992 High		1992 Low	
	British Government								
1	Low	5 years	7.98	7.96	8.44	10.03	15/9	7.90	28/9
2	Coupons	15 years	8.90	8.84	9.38	9.72	1/4	8.63	14/9
3	(0%-7¾%)	20 years	9.14	9.08	9.39	9.72	1/4	8.63	14/9
4	Medium	5 years	8.60	8.52	9.61	10.28	1/4	8.51	28/9
5	Coupons	15 years	9.37	9.29	9.51	9.82	1/4	8.84	1/6
6	(8%-10¾%)	20 years	9.51	9.45	9.47	9.76	1/4	8.76	14/9
7	High	5 years	8.84	8.80	9.84	10.50	1/4	8.79	28/9
8	Coupons	15 years	9.63	9.51	9.58	9.96	1/4	9.00	22/5
9	(11%-)	20 years	9.68	9.60	9.51	9.86	1/4	8.94	14/9
10	Irredeemables	†	9.57	9.55	9.59	9.92	2/4	8.85	14/9
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	3.61	3.60	3.79	5.06	16/9	3.52	4/3
12	Inflation rate 5%	Over 5 yrs.	4.12	4.11	4.22	4.76	16/9	4.11	1/10
13	Inflation rate 10%	Up to 5 yrs	2.85	2.83	3.19	4.23	16/9	2.76	28/9
14	Inflation rate 10%	Over 5 yrs.	3.94	3.93	4.05	4.56	16/9	3.93	1/10
15	Debs &	5 years	9.96	9.94	11.18	11.51	6/4	9.93	29/9
16	Loans	15 years	10.58	10.55	11.00	11.22	6/4	10.07	1/6
17		25 years	10.65	10.60	10.82	11.02	6/4	9.98	1/6

‡Opening index 2569.2; 9 am 2561.5; 10 am 2584.2; 11 am 2580.0; Noon 2574.3; 1 pm 2577.6; 2 pm 2574.5; 2.30 pm 2572.4; 3 pm 2574.6; 4.10 pm 2545.1; (a) 10.06am (b) 4.09pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Tel: 071-873 4613 ● The HSBC dividend is not subject to Advance Corporation Tax at 25%. CONSTITUENT CHANGES: DELETIONS: Bimec Inds (48), Birse Group (3); ADDITIONS Huntleigh Technology (27), Pittencrieff (51), Schroders N/V (69) (previously included on price of ord line).



ECONOMIC DIARY

tions.

MONDAY: Credit business (August). Housing starts and completions (August). House renovations (second quarter). European Community foreign affairs ministers meet in Luxembourg. National Assembly elections in Kuwait. Franco-African summit opens in Libreville (until October 7). Financial Times Conferences holds two-day conference "Latin American Capital Markets" in London.

TUESDAY: Finished steel consumption and stock changes (second quarter). Cyclical indicators for the UK economy (August – first estimate). Conservative Party annual conference opens in Brighton (until October 9). European Community trade ministers expected to discuss steel at a meeting in Luxembourg.

WEDNESDAY: Overseas travel and tourism (July). Advance energy statistics (August). US wholesale sales and inventories (August); consumer credit (August). European Commission discusses proposal to negotiate international air agreeements at EC level rather than at national level. Mr Chris Patten, governor of Hong Kong, delivers his speech outlining his programme for the last five years of British rule in Hong Kong. Financial Times Conferences holds conference "Latin American Privatisations" in London.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. New earnings survey 1992 Part B: Analyses by agreement. US jobless claims. ASEAN congress forum gathering of trade amd foreign ministers from Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand in Kuala Lumpur (until October 10). Paris Motor Show opens.

FRIDAY: Retail prices index and tax and price index (September). Joint meeting of Commonwealth of Independent States heads of state and government in Bishek, Kyrgyzstan.

LIFFE EQUITY OPTIONS

[illegible]

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Kingfisher (*500)	[illegible]						
	550	5	20	30	46	53	60
Ladbroke (*171)	160	15	25	30	7½	14	20
	180	4½	15	21	19	23	31
Land Secur (*402)	390	21	28	35	5½	13	17
	420	5½	13	20	21	30	34
M & S (*329)	300	36	44	51	2	7	10
	330	11	24	32	10	18	21
Sainsbury (*479)	460	34	44	60	4½	12	16
	500	8	21	36	19	29	33
Shell Trans. (*544)	500	50	63	66	2	6	13
	550	11	28	31	16	24	33
Storehouse (*148)	140	13	20	23	4	8	10
	160	4	9	13	15	19	21
Trafalgar (*85)	80	12	17	22	5	9½	15
	90	6	12	18	10	16	21
Utd. Biscuits (*314)	300	22	32	36	5	12	21
	330	5	15	22	22	29	36
Unilever (*1076)	1050	44	70	86	10	28	35
	1100	15	41	59	37	55	62

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
Scot. & New (*407)	[illegible]						
	420	17	25	36	20	26	32
Tesco (*222)	220	13	21	23	8	11	17
	240	5	11	17	20	24	28
Thames Water (*446)	420	35	42	51	7	12	14
	460	9	20	28	27	31	32
Vodafone (*339)	330	25	35	47	12	22	24
	360	12	22	32	29	37	42
Brit Aero (*133)	120	28	38	39	15	23	30
	130	23	34	36	20	28	37
	140	19	29	32	26	33	40

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Abbey Nat. (*312)	300	27	35	37	10	16	18
	330	10	19	23	25	32	35
	360	5	11	13	50	53	55
Amstrad (*24)	20	7	8	9	2	3	3½
	25	4	5	6	4	5	6
	30	2	3½	4½	7	8	9
Barclays (*347)	300	58	65	65	5	11	14
	330	35	50	45	12	22	25
	360	18	27	32	25	37	42
Blue Circle (*130)	120	23	27	30	8½	11	15
	130	17	22	24	13	15	20
	140	11	17	19	19	21	26
British Gas (*242)	240	11	17½	19	12	14	19
	260	4	9	11	26	26	32
Dorons (*210)	200	25	32	37	9	15	17
	220	14	21	28	19	25	27

EURO FT-SE INDEX (*2545)	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Oct	175	131	91	57	32	15	7	3
Nov	202	162	127	95	67	46	31	19
Dec	-	188	-	120	-	72	-	38
Mar	-	232	-	165	-	113	-	73
Jun	-	270	-	205	-	150	-	105
Sep	-	305	-	240	-	185	-	140
PUTS								
Oct	13	17	28	45	70	102	144	191
Nov	25	35	48	65	88	115	149	188
Dec	-	43	-	73	-	120	-	185
Mar	-	60	-	90	-	132	-	187
Jun	-	75	-	105	-	145	-	195
Sep	-	85	-	115	-	150	-	195

FT-SE INDEX (*2545)	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Oct	199	153	110	74	45	22	11	4
Nov	228	185	146	110	80	55	37	24
Dec	252	210	173	137	105	80	60	40
Jan	266	227	189	155	125	98	76	57
Jun †	-	285	-	220	-	162	-	115
PUTS								
Oct	8	13	18	33	54	88	134	184
Nov	23	30	40	56	77	104	142	184
Dec	30	40	51	67	89	115	149	188
Jan	37	45	60	75	95	121	153	192
Jun †	-	75	-	107	-	155	-	215

October 2 Total Contracts 35,780
Calls 14,467 Puts 21,313
FT-SE Index Calls 4,406 Puts 4,629
Euro FT-SE Calls 116 Puts 82
*Underlying security price † Long dated expiry months
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	8
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	28	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	8
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	6
Blue Circle	18	GKN	30	Marks Spencer	33	T & N	15	Premier Cons	2½
Boots	20	Gen Accident	21	NatWest Bank	25	Unilever	75	Shell	42
Bowater	56	GEC	8	P & O Dfd	32	Vickers	7	Tullow Res	8
Brit Aerospace	8	Glaxo	30	Racal Elect	8	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

Trygg-Hansa plunges to SKr5.5bn loss at 8 months

By Robert Taylor in Stockholm

TRYGG-HANSA SPP, Sweden's leading insurance group, plunged into a SKr5.57bn ($1.04bn) loss for the first eight months of the year. This compares with a SKr1.09bn profit for the same period of 1991.

The main reason for the dramatic deterioration is the huge estimated loss of SKr6.01bn due to its major holdings in Gota AB, the Swedish holding company, Svenska Kredit, the leading private export credit company, and IC Holding, the credit company, all of which are in liquidation.

The group was also hit by the fall in share prices and property values.

The losses suffered from the group's involvement in Gota are estimated to be SKr5.51bn. Earlier this week the group appointed a receiver and went into liquidation.

The insurance company's association with Gota has turned out to be an unhappy one since it became its major shareholder as a result of the merger in November 1990 between Trygg-Hansa and the SPP pension insurance group. In April this year Trygg-Hansa SPP made a SKr1.4bn bid to buy the whole of Gota AB.

Mr Bjorn Sprangare, chief executive of Trygg-Hansa SPP, said last night that while the group's shareholders would be hit by the heavy losses incurred in the first eight months, they would not affect insurance policy holders.

"Despite this considerable loss the holding company has a powerful economic position", he added. "The company is stronger than any other insurance company in Sweden".

For the first eight months Trygg Hansa SPP's insurance operations performed positively, with a SKr333m operating profit, though this was a 41 per cent drop from the SKr562m profit made over the same period of 1991. Premiums earned totalled SKr5.06bn for the January-August period, which was a 4 per cent improvement on January-August period of 1991.

Trygg-Hansa SPP also saw growth in its operating income from the Home Holdings group in the US, in which it has a 33.3 per cent stake. For the first six months of the year profits rose to SKr95m from SKr12m for the same period of last year.

However, the company suffered a 60 per cent per cent drop to SKr437m in its operating profit for all the group's activities, compared with a SKr1.09bn profit for the same period of last year.

The decline was blamed on the dramatic fall in share values and property prices that have hit Trygg-Hansa SPP's investment portfolio hard so far this year.

The group showed a negative equity/assets ratio compared with 15 per cent for the first eight months of last year and it recorded a loss of SKr58.90 per share, compared with a gain of SKr11.60 for the same period of 1991.

STET acquires 83% of Finsiel

By Robert Graham in Rome

STET, the telecommunications group controlled by IRI, the Italian state holding company, yesterday announced it was buying IRI's 83.3 per cent stake in Finsiel, the data processing group, for L700bn ($565.4m).

The deal has been under consideration for some time and represents a major rationalisation of Italy's telecommunications and software industry.

The move has been prompted by developments in the European telecommunications industry with telephone companies spreading into the fast expanding services sector.

STET officials cited the recent case of France Telecom taking a stake in Cap Gemini. STET derives 74 per cent of its income from telecommunications services, 17 per cent from manufacturing and installation companies and 9 per cent from publishing and diversified activities.

It controls Italy's state owned telecommunications activities, notably SIP, the main operating utility and last year returned net profits of L1,413bn on sales of L22,946bn. Finsiel is the financial holding company co-ordinating IRI's software activities and turned in a net profit of L29.4bn on sales of L1,283bn.

Last year Olivetti sought to carry out a reverse takeover of Finsiel but was turned down. Olivetti's overtures then accelerated the STET takeover.

IRI is reducing its stake in STET to around 53 per cent of the ordinary shares and 1 per cent of savings stock.

A definitive price tag for the deal will be fixed by November 30. Yesterday it was not clear what would happen to the remaining 16.7 per cent of Finsiel held by the Bank of Italy.

Roquefort returns to the French cheeseboard

By William Dawkins in Paris

ROQUEFORT, one of France's best known smelly cheeses, yesterday escaped from being Swiss when Nestlé, the food multinational, sold a controlling slice to Besnier, a leading French cheese supplier.

Besnier, best known for its mild creamy Pont l'Eveque cheese, has agreed to pay Nestlé FFr863m ($180.5m) for the Swiss company's 57 per cent stake in Caves de Roquefort, valuing it at FFr1.5bn.

Caves de Roquefort used to be subsidiary of Source Perrier, maker of the celebrated fizzy mineral water, which Nestlé took over in a contested bid battle against Italy's Agnelli family early this year.

Roquefort's future was highly publicised at the time, as local dairy farmers complained that a successful foreign bidder would put them out of business by importing cheaper milk for cheese production, to the alleged detriment of one of the most characteristic tastes in French cuisine.

Caves de Roquefort accounts for 80 per cent of world production of this cheese and made a FFr36m profit on sales of FFr1.38bn last year.

Nestlé made clear at the time of the Perrier takeover that it wanted to sell its stake and offered Crédit Agricole, the agricultural co-operative bank, which owns 26 per cent of the cheese maker, first refusal.

Besnier won the deal against competition from France's three other leading cheese groups, Bongrain, Entremont and Bel.

Unilever, the Anglo-Dutch consumer products group is also said to have been interested.

Japanese banks 'need more aid'

By Robert Thomson in Tokyo

JAPANESE BANKS will need more government assistance than has been announced if they are to overcome quickly the burden of non-performing loans, a study by Moody's Investors Service, the US credit rating agency, recommended yesterday.

The agency examined the likely impact of tax and other concessions granted by the government, and suggested that the measures, including the establishment of a land purchase agency, will have a "limited effect on the banks' asset quality".

Meanwhile, the Ministry of Finance yesterday indicated that it would tighten control over non-bank financial institutions, such as leasing and consumer credit companies, by requiring those with loan portfolios of more than Y50bn ($416.7m) to report their non-performing loans at the end of this fiscal year.

The Japanese government has tended to blame "non-banks" for the feverish lending of the late 1980s, in an apparent attempt to divert attention from the role of mainstream institutions, though many of these non-banks are actually affiliates of the leading banks.

About 300 of Japan's estimated 37,000 non-banks would be subject to the new rule, if implemented.

It is clear some non-banks have a heavy burden of non-performing loans, but the ministry may not release that information for fear of undermining confidence in the financial system.

In mid-August, the government announced a package of concessions designed to restore confidence in the banking system and lift stock prices. Banks were supposed to have marked their stock portfolios to market levels for the first half ending last month, but the finance ministry gave them a reprieve.

The government lifted a limit on dividend payout ratios, broadened tax concessions on the write-off of bad debts, and proposed the establishment of a body that would attempt to stimulate the ailing property market by purchasing land used as collateral.

Moody's said the banks' balance sheets would be improved if the government made loan losses fully tax-deductible and if problem property assets were purchased by a government agency at book value.

However, the agency said these measures would involve "very costly subsidies" and need political support that now appears to be lacking.

Renault and Volvo plan joint new range of luxury cars

By Kevin Done, Motor Industry Correspondent

Renault and Volvo are to develop jointly a new range of top-of-the-line executive cars to be sold in Europe from the end of the decade.

The joint car project marks a significant step forward for the two vehicle makers, which have been developing a far-reaching alliance since September 1990.

Renault said yesterday the two groups had decided to develop a common platform for the new range of executive cars, which would allow the use of many common components, most importantly common engines and gearboxes.

While having a high degree of commonality "under the skin", the cars would have different body styles and would maintain independent Volvo and Renault brand identities for sale through their separate distribution networks.

It is expected that the Renault version would replace its new generation Renault Safrane executive car, launched this year in Europe to replace the Renault 25.

According to Renault the new joint car range would replace the present Volvo 850, which has been launched by the Swedish car maker during the last 12 months.

The joint Renault/Volvo car project is taking a similar approach to that already used by the Peugeot group for its Peugeot and Citroën marques. Its current top-of-the-range Citroën XM and Peugeot 605 cars share a common platform, engines and gearboxes, but maintain very separate identities in the market.

Pöhl to join Corange in Bermuda

By Andrew Fisher in Frankfurt

Mr Karl Otto Pöhl, former president of the Bundesbank, is to become deputy chairman of Corange, the Bermuda-based holding company which owns a leading German health care concern, Boehringer Mannheim.

Corange, owned by the Engelhorn family, is undergoing a board restructuring designed to "help to simulate the disciplines of a public company".

This means setting up a framework within which management will be subjected to the same sort of independent scrutiny that public companies receive from shareholders and analysts.

Its new board will contain no present or former members of management.

The exception is Mr Curt Engelhorn, a member of the shareholding family who will continue as chief executive until a successor is found.

Also on the board is Mr Patrick Rich, chairman and chief executive officer of BOC Group. Three other independent directors have been appointed with three more to join later.

Boehringer Mannheim – which has no connection with Boehringer Ingelheim, another German pharmaceutical company – achieved sales of $2.9bn last year, against $2.5bn in 1990, with profits before interest and taxes of $243m ($229m).

Its main activities are diagnostics, pharmaceuticals, orthopaedic products (through its DePuy unit), and biochemicals.

Mr Pöhl, who has begun speaking out again on world monetary issues, left the German central bank in the summer of 1991. He is a partner in Sal. Oppenheim, the Cologne-based private bank.

USAir hits at BA deal critics

By Nikki Tait in New York

USAir, the US airline in which British Airways wants to invest $750m for a large minority stake, has hit back at opposition from other big US carriers to the proposed alliance, saying the deal is both legal and competition-enhancing.

"Our proposal is pure-and-simple a business transaction," said Mr Seth Schofield, USAir's chief executive, in response to a press conference held by the "big three" US carriers on Thursday, publicising their objections to the BA-USAir tie-up.

"It meets every requirement and stipulation of US law and should be judged on those merits alone."

US rules prohibit foreigners from owning more than 49 per cent of a domestic airline's shares or over 25 per cent of the voting stock.

The BA investment would fall within these limits, but the rival US carriers argue that provisions attracted to the deal would give BA effective control over USAir.

Mr Schofield, however, noted that the heavily loss-making US airline industry has already lost over 100,000 jobs in the past few years. "The Big Three have not saved those jobs," he said, "and blocking USAir's arrangement with British Airways will threaten even more jobs."

● USAir could face more immediate problems, if a ballot among its 8,000-plus mechanics results in a proposed labour contract being turned down.

Balloting was continuing yesterday, but if the contract is rejected, strike action – recommended by the International Association of Machinists and Aerospace Workers – could be taken.

K mart buys 21 book superstores

By Nikki Tait in New York

K MART, the US retail group which already takes in the Waldenbooks chain, is acquiring Borders, operator of 21 book superstores, in a share exchange deal.

The retailer said it planned to issue an unquantified amount of convertible preferred stock to the sellers.

Borders, based in Ann Arbor, Michigan, runs the bookstore outlets in the midwest and northeast and is a privately-owned company. K mart said that Borders' annual turnover was around $150m.

Elf in plastics venture with Rhone-Poulenc

By William Dawkins in Paris

ELF Aquitaine, the French oil group and Rhône-Poulenc, France's leading chemicals company, yesterday announced a joint venture in plastic films, marking an improvement in the cool relations between the two state-owned companies.

Elf's chemicals subsidiary, Elf Atochem, is to take majority control of the venture, Soplaril, which will have a turnover of FFr800m ($167.4m) in four plants across Europe and be one of the region's largest producers of food wrapping film.

Mr Loïk Le Floch-Prigent, the current chairman of Elf Aquitaine, who is close to the Socialist party, was ousted as head of Rhône-Poulenc in 1986 by the conservative government of the time.

He was replaced by Mr Jean-René Fourtou, a close friend of former president Mr Valéry Giscard d'Estaing, leader of the centre-right UDF party, and appointed to his present job at Elf by the Socialist administration in 1989.

Since then, collaboration between the two groups has been rare and relations between their chairmen distant.

J&J settles patent suit

JOHNSON & Johnson, the US health care group, was yesterday ordered to pay Minnesota Mining & Manufacturing (MMM) about $125m in damages to settle a patent infringement suit, writes Karen Zagor in New York.

Johnson & Johnson does not expect the charge, which will be reflected in third-quarter results, to have a material impact on earnings.

The judgment by a court of appeals upholds a 1991 ruling which found that Johnson & Johnson had wilfully infringed MMM's patents on fibreglass casting materials.

Strike hits GIB's first-half profit

By Andrew Hill in Brussels

NET PROFIT at GIB Group, one of Belgium's two largest retail groups, slipped from BFr1.77bn ($60.4m) to BFr1.68bn in the first half of the year although most of the company's principal activities showed good growth.

GIB blamed the negative effects of a strike in February, which cost the company some BFr185m, and the "gloomy economic climate" for the drop in profits.

Turnover rose from BFr105bn to BFr111bn, up 5.2 per cent, or 3.3 per cent adjusted for exchange rate differences and changes in consolidating group companies.

GIB, Belgium's largest private-sector employer, said its supermarket and hypermarket sector had shown growth of 2 per cent – 3 per cent excluding the effects of the strike. The company still aims to have electronic point of sale and scanning equipment installed across all its stores by the end of the year.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$348.15	-1.2	$356	$358.40	$335.20
Silver Per troy oz	214.10p	-9.36	238.2p	242.70p	187.58p
Aluminium 99.7% (cash)	$1212.5	-61	$1117.5	$1339.0	$1105.5
Copper Grade A (cash)	£1331.5	-62	£1352.5	£1418.0	£1125.0
Lead(cash)	£342.5	-6.5	£308	£383.5	£278.50
Nickel (cash)	$6705	-165	$7465	$8195.0	$6705
Zinc SHG (cash)	$1308	-27	$994.5	$1457.5	$1106.5
Tin (cash)	$6385	-70	$5532.5	$7115.0	$5425.0
Cocoa Futures (Dec)	£667	+27	£785	£773	£523
Coffee Futures (Nov)	$802	-2	£492	$1013	$676
Sugar (LDP Raw)	$225.0	-3	$231.6	$272.6	$193
Barley Futures (Jan)	£122.40	+1.45	£113.0	£123.90	£106.90
Wheat Futures (Jan)	£123.20	+0.2	$117.5	£131.85	£109.85
Cotton Outlook A Index	54.20c	-1.55	69.15c	65.90c	52.25c
Wool (64s Super)	398p	-12	340p	480p	364p
Oil (Brent Blend)	$20.50x	+.0725	$21.45	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Nov

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.25-8.30z	-.025
Brent Blend (dated)	$20.30-0.40	+0.05
Brent Blend (Nov)	$20.45-0.55	+0.05
W.T.I (1 pm est)	$21.90-1.95z	+0.10

Oil products
(NWE prompt delivery per tonne CIF)

		+ or -
Premium Gasoline	$217-218	-1.5
Gas Oil	$193-194	+1
Heavy Fuel Oil	$101-103	+3
Naphtha	$192-193	+1

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$348.15	-0.10
Silver (per troy oz)♣	375.50c	
Platinum (per troy oz)	$364.75	-1.25
Palladium (per troy oz)	$98.60	-0.65
Copper (US Producer)	108.0c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	16.00r	+0.3
Tin (New York)	296.5c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106.79p	-1.08*
Sheep (live weight)†♣	73.34p	+3.73*
Pigs (live weight)†	73.26p	-2.90*
London daily sugar (raw)	$225.0w	
London daily sugar (white)	$263.0w	+3
Tate and Lyle export price	£237.5	+1.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£141.5	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	56.75p	+0.5
Rubber (Dec)♥	56.50p	+0.5
Rubber (KL RSS No 1 Oct)	221.5m	
Coconut oil (Philippines)§	$482.5y	-2.5
Palm Oil (Malaysian)§	$390.0y	+5
Copra (Philippines)§	$312.5	
Soyabeans (US)	£140.5w	-1
Cotton "A" Index	54.20c	+0.15
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec. w-Sep/Oct. y-Nov/Dec. u-Oct. z-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	194.00	194.00	192.00
Mar	199.00	194.00	196.00
May	198.40	197.00	199.00 196.00
White	**Close**	**Previous**	**High/Low**
Dec	258.70	256.50	259.00 258.00
Mar	259.20	257.50	259.50 256.30
May	261.00		261.00 259.00
Aug	266.00		264.50 264.00
Oct	254.20		252.50 252.00

Turnover: Raw 71 (26)lots of 50 tonnes. White 501 (274) Paris- White (FFr per tonne): Dec 1251.90 Mar 1266.25

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Nov	20.53	20.45	20.56 20.39
Dec	20.55	20.47	20.57 20.41
Jan	20.49	20.42	20.51 20.40
Feb	20.38	20.31	20.38 20.31
Mar	20.20	20.18	20.23 20.19
Apr	20.08	20.06	20.08
IPE Index	20.41	20.28	

Turnover 17000 (19629)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Oct	190.50	190.00	190.50 188.00
Nov	194.00	194.00	194.00 193.00
Dec	196.25	196.75	196.25 195.50
Jan	196.50	196.75	197.00 196.25
Feb	192.75	193.00	193.75 192.75
Mar	186.75	187.25	187.50 186.75
Apr	182.50	182.75	183.50 182.50
May	180.25	180.25	180.75 180.25

Turnover 10685 (10413) lots of 100 tonnes

SPICES
Demand for spot and nearby deliveries of Indonesian cassia as well as for substitutes from Madagascar, Seychelles and China exploded, reports Man-producten. Grinders have not been able to keep up with seasonal spot orders. Traders have been cautious about building stocks. Prices will remain high until mid-November when demand is expected to retreat. Vaika sticks, spot US$2,600 a tonne, shipment Oct/Nov $1,975; kbbc spot $1,700, shipment Oct/Nov $1,350, Dec/Jan $1,250; Seychelles spot $1,500, shipment $1,300; Madagascar spot unavailable, shipment $1,200. Cloves unchanged at $1,000 spot, $770 shipment.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	667	665	672 659
Mar	694	693	698 688
May	714	708	716 706
Jul	729	725	732 723
Sep	743	742	747 740
Dec	769	770	775 765
Mar	797	797	799 792
May	812	814	813 810

Turnover: 4065 (5567) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 1 759.37 (753.40) 10 day average for Oct 2 749.46 (749.89)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Nov	802	794	802 787
Jan	820	812	820 805
Mar	835	827	835 820
May	833	825	832 820
Jul	840	829	825
Sep	850		830

Turnover:1374 (2848) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct.1: Comp. daily 48.84 (47.82) 15 day average 47.41 (47.21)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	60.5	62.0	61.0 59.5

Turnover 175 (25) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	129.00	130.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Oct	1105	1115	1112 1104
Nov	1141	1135	1141 1135
Dec	1135	1140	1140 1135
Jan	1165	1170	1175 1165
Apr	1212	1215	1212 1210
Jul	1100	1105	1100 1100
Oct	1290	1295	1295 1290
Jan	1320	1320	1320
BFI	1035	1034	1035

Turnover 287 (174)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	120.00	119.90	120.10 119.65
Jan	123.20	122.95	123.20 122.80
Mar	126.45	126.05	126.45 126.00
May	129.25	128.80	129.25 129.00
Jun	130.70		130.70 130.35
Barley	**Close**	**Previous**	**High/Low**
Nov	117.80	117.75	117.80 117.70
Jan	122.40	121.60	122.40 121.65
Mar	125.35	124.50	125.35 124.55
May	126.75	126.50	126.75 126.55

Turnover: Wheat 393 (213), Barley 216 (56).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	99.0	100.0	98.5
Nov	100.5	100.0	100.0 99.5
Feb	98.0	97.5	97.0
Mar	100.0		99.0
Apr	101.0		101.0

Turnover:25 (19) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 48,014 lots
Cash	1212-13	1239-40	1218	1218-18.5		
3 months	1236-37	1263-64	1256/1234	1242.5-43	1237-38	179,791 lots
Copper, Grade A (£ per tonne)						Total daily turnover 32,238 lots
Cash	1331-32	1319-20		2325/2307		
3 months	1363.5-64	1350-51	1375/1343	1346-46.5	1359-60	148,492 lots
Lead (£ per tonne)						Total daily turnover 3,458 lots
Cash	342-43	336-37	338	338-39		
3 months	353-54	348-8.5	355/348	347-48	352-53	25,176 lots
Nickel ($ per tonne)						Total daily turnover 5,417 lots
Cash	6700-10	6680-90	6690	6685-90		
3 months	6780-85	6765-70	6840/6765	6765-70	6775-85	29,089 lots
Tin ($ per tonne)						Total daily turnover 2,535 lots
Cash	6380-90	6400-05		6400-05		
3 months	6450-60	6565-70	6490/6440	6465-70	6460	11,421 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,709 lots
Cash	1307-09	1329-31	1307	1307-08		
3 months	1292-93	1305-06	1300/1289	1290-91	1292-93	61,838 lots

LME Closing £/$ rate:
SPOT: 1.7260 3 months: 1.7011 6 months: 1.6840 9 months: 1.6655

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	348.00-348.30	
Opening	347.70-348.10	
Morning fix	348.00	199.370
Afternoon fix	348.00	203.390
Day's high	349.00-349.30	
Day's low	347.50-347.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.98	6 months	2.04
2 months	1.96	12 months	2.10
3 months	1.98		

Silver fix	p/troy oz	US cts equiv
Spot	214.10	373.25
3 months	218.50	375.90
6 months	223.10	378.70
12 months	231.60	384.60

GOLD COINS

	$ price	£ equivalent
Krugerrand	347.50-350.50	199.00-200.00
Maple leaf	358.85-361.15	-
New Sovereign	84.00-86.00	48.00-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	3	24	32	32
1300	3	8	82	67
1350	3	3	132	110
Copper (Grade A)	**Calls**		**Puts**	
2350	3	35	50	68
2400	3	20	100	102
2450	5	10	150	142
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	57	84	5	14
800	23	52	21	32
850	7	30	55	60
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	53	87	11	18
650	37	71	20	27
675	25	56	33	37
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000		66	6	19
2050	15	37	23	37
2100	4	19		-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	348.1	347.5	347.8	347.1
Nov	348.8	348.2	0	0
Dec	349.8	349.1	350.5	348.6
Feb	351.0	350.6	351.6	350.5
Apr	352.3	351.8	352.7	351.5
Jun	353.7	353.2	0	0
Aug	355.2	354.7	0	0
Oct	356.8	356.3	0	0
Dec	358.5	358.0	358.0	358.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	366.7	368.4	368.5	366.0
Jan	363.2	363.5	364.0	362.5
Apr	361.7	362.0	362.0	362.0
Jul	361.7	362.0	0	0
Oct	364.7	365.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	373.4	371.4	0	0
Nov	374.1	372.1	0	0
Dec	375.7	373.7	376.0	373.0
Jan	376.9	374.9	0	0
Mar	379.2	377.1	379.5	377.0
May	381.4	379.3	380.0	380.0
Jul	383.6	381.5	384.0	383.5
Sep	386.0	383.9	385.0	385.0
Dec	389.8	387.7	0	0
Jan	390.9	388.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	100.40	102.35	102.50	100.20
Nov	100.90	102.85	102.85	100.60
Dec	101.40	103.30	103.45	101.30
Jan	101.85	103.70	0	0
Feb	102.15	103.95	103.00	103.00
Mar	102.45	104.20	104.45	102.40
Apr	102.65	104.35	104.25	103.00
May	102.85	104.50	104.60	103.00
Jun	103.05	104.65	0	0
Jul	103.25	104.60	104.60	103.40

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.88	8.80	8.88	8.78
May	8.92	8.85	8.93	8.85
Jul	8.93	8.86	8.96	8.89
Oct	8.91	8.84	8.91	8.84
Mar	8.93	8.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	21.85	21.83	21.98	21.78
Dec	21.85	21.74	21.88	21.70
Jan	21.77	21.68	21.80	21.63
Feb	21.65	21.56	21.67	21.53
Mar	21.53	21.44	21.52	21.40
Apr	21.39	21.32	21.39	21.27
May	21.26	21.21	21.28	21.14
Jun	21.15	21.11	21.15	21.06
Jul	21.04	21.02	21.06	20.98
Aug	20.92	20.94	20.94	20.88

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6405	6387	6415	6365
Dec	6475	6458	6485	6435
Jan	6505	6486	6515	6460
Feb	6385	6387	6405	6360
Mar	6145	6137	6150	6125
Apr	5940	5927	5940	5915
May	5790	5777	5780	5780
Jun	5690	5677	5695	5685
Jul	5665	5652	0	0
Aug	5710	5702	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1002	1013	1008	986
Mar	1055	1066	1057	1036
May	1082	1092	1088	1069
Jul	1113	1123	1115	1100
Sep	1145	1154	1145	1131
Dec	1176	1185	1165	1165
Mar	1217	1226	1205	1205
May	1242	1251	0	0
Jul	1279	1288	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	56.85	56.70	57.65	56.05
Mar	58.35	57.95	58.95	57.40
May	61.80	61.30	62.10	60.75
Jul	63.50	62.70	63.70	63.10
Sep	64.65	64.05	65.00	64.35
Dec	67.15	66.60	67.50	67.40
Mar	70.40	68.25	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.00	56.40	56.75	55.90
Dec	52.11	53.08	53.30	51.96
Mar	52.93	53.82	53.95	52.86
May	53.70	54.42	54.54	53.55
Jul	54.20	55.05	55.20	54.20
Oct	55.13	55.55	55.80	55.80
Dec	55.41	56.13	56.40	55.41
Mar	56.20	56.55	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	108.65	108.40	108.75	107.50
Jan	108.75	108.50	108.90	107.80
Mar	109.50	109.15	109.60	108.70
May	111.15	110.80	110.60	110.10
Jul	110.65	110.25	0	0
Sep	110.65	110.05	0	0
Nov	110.65	110.05	0	0
Jan	110.65	110.05	0	0
Mar	110.65	110.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct.2	Oct.1	mnth ago	yr ago
1565.1	1558.8	1518.2	1600.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct.1	Sep 30	mnth ago	yr ago
Spot	115.41	115.69	117.93	116.14
Futures	114.94	114.72	115.66	123.88

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	527/2	532/4	532/0	526/4
Jan	534/6	539/4	539/0	534/2
Mar	541/6	546/6	546/0	541/4
May	549/6	554/2	553/4	549/4
Jul	557/0	561/2	560/4	556/4
Aug	560/4	563/2	563/0	560/4
Sep	560/0	563/6	565/0	560/0
Nov	568/2	569/0	569/0	566/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.02	18.37	18.32	17.99
Dec	18.24	18.62	18.58	18.23
Jan	18.47	18.80	18.74	18.42
Mar	18.72	19.05	19.02	18.70
May	18.96	19.31	19.26	18.96
Jul	19.20	19.56	19.56	19.20
Aug	19.31	19.67	19.67	19.31
Sep	19.51	19.78	19.77	19.51

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.6	183.8	183.4	182.0
Dec	182.7	183.8	183.6	182.5
Jan	182.8	184.0	183.8	182.6
Mar	183.2	183.9	183.9	183.0
May	183.7	184.2	184.2	183.5
Jul	185.4	185.6	186.1	185.2
Aug	186.3	186.5	186.8	186.0
Sep	187.1	187.5	187.6	187.1

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	211/2	213/6	213/2	211/0
Mar	220/0	222/4	222/0	219/6
May	226/0	228/6	228/2	226/0
Jul	231/0	233/0	232/2	230/6
Sep	233/4	234/4	234/0	233/4
Dec	237/2	237/4	237/4	236/2
Mar	244/0	244/0	244/0	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	343/0	349/4	349/4	346/4
Mar	347/2	350/0	350/4	346/6
May	338/6	340/4	341/2	336/4
Jul	320/0	320/2	321/0	317/4
Sep	325/4	326/0	0	0
Dec	335/4	336/0	335/4	335/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.925	75.750	75.950	75.725
Dec	74.075	73.975	74.150	73.850
Feb	72.000	72.050	72.175	71.875
Apr	72.775	72.900	72.900	72.600
Jun	69.700	69.900	69.925	69.600
Aug	68.350	68.525	68.550	68.300
Oct	68.500	68.550	68.600	68.450

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.050	42.775	43.100	42.325
Dec	43.950	43.675	44.000	43.475
Feb	42.550	42.350	42.725	42.125
Apr	40.575	40.350	40.675	40.150
Jun	45.450	45.250	45.650	45.100
Jul	45.050	44.850	45.200	44.850
Aug	43.975	43.875	44.050	43.900
Oct	40.800	40.600	40.800	40.600

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.875	39.900	40.050	39.250
Mar	39.725	39.575	39.900	39.025
May	41.250	41.050	41.250	40.500
Jul	41.425	41.200	41.550	40.850
Aug	40.000	39.400	40.000	40.000

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Another large fall for sterling

STERLING plunged nearly 5 pfennigs against the D-Mark yesterday after the Bundesbank failed to cut rates as many dealers had expected, *writes James Blitz.*

Yesterday was the day the market has been waiting for all week, with the Bundesbank council meeting and the September non-farm payroll figure in the US. In the end, neither event yielded great changes. The Bundesbank did not cut rates, but made more accommodating noises on policy. The headline payroll figure was down 57,000, far less than had been expected, but the underlying gloom over the US economy remained.

The net result was to leave the dollar weak in the afternoon, pushing it down to a close of DM1.4085 from a previous DM1.4255. In the European exchange rate mechanism, the unrelieved pressure of German interest rates forced down the Spanish peseta and the Portuguese escudo, while the Irish punt was again reported to have touched its ERM floor.

In this turbulent European sea, sterling stands out as the one major currency which is not anchored by an exchange rate discipline, an economic policy or a steady government. It was besieged by the wildest rumours yesterday, including the idea that Moody's rating agency was about to downgrade the UK's foreign debt.

Mr Jim O'Neill, head of research at Swiss Bank Corporation, said that the pound had come under pressure from short-term interbank dealing rather than the off-loading of bonds and currency by big institutional investors. That would probably explain why the currency sprang back to DM2.44 in post-European trading from a low of DM2.4260. It closed in London at DM2.4300, 12.5 pfennigs down on the week.

But Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corporation said that sterling's fall was "disturbing." Neither the size of the fall, nor the speed, had been anticipated. "There were simply no buyers for the currency at any price during the afternoon," he said.

At the end of another turbulent week in the markets, much uncertainty remains.

Mr O'Neill is bearish about the dollar and believes that it could easily go below the historic low of DM1.3860. "The payroll figure was regarded as good, because people had expected so much worse," he said. "But the weak US economy and political uncertainty in the US will push the dollar down."

The Bundesbank President's comment that interest rates will remain steady for the "time being" hangs over the Spanish peseta. Yesterday the Spanish government raised its intervention rate by 1 per cent as the peseta fell to a close of 71.32 against the D-Mark, very near its ERM floor of 72.62.

£ IN NEW YORK

Oct.2	Latest	Previous Close
£ Spot	1.7270-1.7280	1.7400-1.7410
1 month	0.92-0.90pm	0.91-0.90pm
3 months	2.55-2.52pm	2.52-2.50pm
12 months	8.45-8.35pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct. 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.29193	2.21468	-3.37	3.10	43
Belgian Franc	41.9547	40.5429	-3.37	3.10	42
D-Mark	2.03412	1.96628	-3.34	3.07	54
French Franc	6.82216	6.64776	-2.56	2.24	4
Danish Krone	7.75901	7.62095	-1.78	1.43	-32
Irish Punt	0.759300	0.750280	-1.19	0.83	-59
Portuguese Escudo	176.844	175.161	-0.95	0.59	-3
Spanish Peseta	139.176	138.660	-0.37	0.00	-13

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7040 - 1.7515	1.7255 - 1.7265	0.92-0.90cpm	6.33	2.55-2.52pm	5.87
Canada	2.1410 - 2.1865	2.1685 - 2.1695	0.34-0.04cpm	1.05	0.82-0.43pm	1.15
Netherlands	2.7325 - 2.7885	2.7325 - 2.7425	par-¼cdis	-0.27	par-¼dis	-0.09

EXCHANGE CROSS RATES

Oct.2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.726	2.430	206.0	8.228	2.150	2.738	2152	2.169	50.35	173.3	1.255
$	0.579	1	1.408	119.4	4.767	1.246	1.586	1247	1.257	29.17	100.4	0.727
DM	0.412	0.710	1	84.77	3.386	0.885	1.127	885.6	0.893	20.72	71.32	0.516
YEN	4.854	8.379	11.80	1000.	39.94	10.44	13.29	10447	10.53	244.4	841.3	6.092
F Fr.	1.215	2.098	2.953	250.4	10.	2.613	3.328	2615	2.636	61.19	210.6	1.525
S Fr.	0.465	0.803	1.130	95.81	3.827	1	1.273	1001	1.009	23.42	80.60	0.584
N Fl.	0.365	0.630	0.888	75.24	3.005	0.785	1	786.0	0.792	18.39	63.29	0.458
Lira	0.465	0.802	1.129	95.72	3.823	0.999	1.272	1000.	1.008	23.40	80.53	0.583
C$	0.461	0.796	1.120	94.97	3.793	0.991	1.262	992.2	1	23.21	79.90	0.579
B Fr.	1.986	3.428	4.826	409.1	16.34	4.270	5.438	4274	4.308	100.	344.2	2.493
Pta	0.577	0.996	1.402	118.9	4.748	1.241	1.580	1242	1.252	29.05	100	0.724
Ecu	0.797	1.375	1.936	164.1	6.556	1.713	2.182	1715	1.728	40.12	138.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100 Peseta per 100. *Corrected figure for 1.10.92
Canadian Dollar-Sterling 2.175

*Floating rate. Iran Official rate £119.55 $63.30

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7260	1.7169	1.7006	1.6798	1.6420
D-mark	2.4300	2.4297	2.4295	2.4292	2.4279
French Fr.	8.2275	8.1962	8.1626	8.1266	8.0695
Swiss Fr.	2.1500	2.1455	2.1382	2.1295	2.1146
Yen	206.00	205.10	203.37	201.12	196.98

MONEY MARKETS

New gloom on rates

RATES in the sterling cash market firmed yesterday afternoon as the pound fell sharply against the D-Mark on the foreign exchanges.

In the absence of a cut in German interest rates or any clear economic policy from the UK government, the pound lost nearly 5 pfennigs against the D-Mark.

Until yesterday, several money market dealers had been assuming that there could be another cut in UK base rates announced at next week's Conservative party conference to boost the government's fortunes. According to one discount house director, that cut seems less likely.

"The government has made a complete hash of it," he said. "If they had cut base rates earlier this week, sterling would not have suffered much. Now, the cost of a rate cut next week will be another big fall in the currency."

Even so, the impact on rates and prices was smaller than might have been expected. Three-month money in the sterling cash market rose to 9⅛ per cent from a previous close of 9 per cent on Thursday night. The December short sterling contract closed down 13 basis points at 91.72, taking a less bullish view of a rate cut before the end of the year.

The reaction to the Bundesbank council meeting across Europe was markedly different. Although there was no change in rates, dealers were encouraged by the central bank's decision to change the way it offers securities repurchase funds to the banking system by setting two-week tenders rather than the traditional one- or two-month pacts.

Mr Otmar Issing, the Bundesbank's chief economist, also raised hopes of some change in the bank's policy on rates by saying that the recent currency intervention meant that German M3 money supply data were no longer as valid as they had been. The December Euro-Deutschmark contract rose 16 basis points to close at 91.70.

The Bank of England forecast a shortage of £1.3bn and purchased £34m of Band 1 bank bills at 8¾ per cent and £150m in a repurchase agreement (repo) at 8⅞ per cent. The forecast was later revised to £1.2bn and the Bank purchased £247m in Band 1, £416m in Band 2 at 8¾ per cent, and £140m in the "repo." Late assistance was £10m.

UK clearing bank base lending rate 9 per cent from September 22, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.2) 3 months US dollars: bid 3, offer 3⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	6
Broker loan rate	5
Fed funds	3¼
Fed. funds at intervention	-

Oct.2	Overnight	One Month	Two Months
Frankfurt	8.85-9.05	8.95-9.05	8.95-9.05
Paris	13½-14	13½-15	-
Zurich	6¼-6¾	6½-6⅝	-
Amsterdam	8.90-9.05	8.95-9.05	-
Tokyo	4⅛-4¼	4⅛-4⅜	-
Milan	-	-	-
Brussels	-	9¼-9¾	-
Dublin	11-15	12-15	12-14

LONDON MONEY RATES

Oct 2	Overnight	7 days notice	One Month
Interbank Offer	10½	9½	9⅛
Interbank Bid	9	9¼	9⅛
Sterling CDs	-	-	9⅛
Local Authority Deps.	9⅛	9⅛	9⅛
Local Authority Bonds	-	-	-
Discount Mkt Deps	9½	9⅛	-
Company Deposits	-	-	-
Finance House Deposits	-	-	9⅛
Treasury Bills (Buy)	-	-	8¾
Bank Bills (Buy)	-	-	8¾
Fine Trade Bills (Buy)	-	-	-
Dollar CDs	-	-	2.86
SDR Linked Dep. Offer	-	-	6⅛
SDR Linked Dep. Bid	-	-	5⅞
ECU Linked Dep. Offer	-	-	11⅛
ECU Linked Dep Bid	-	-	11⅛

BANK RETURN

BANKING DEPARTMENT	Wednesday September 30, 1992	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	1,700,659,542	- 3,837,667,283
Bankers Deposits	1,465,897,167	- 68,706,804
Reserve and other Accounts	3,481,977,072	+ 6,853,313
	6,663,086,781	- 3,899,520,774
ASSETS		
Government Securities	1,379,106,175	- 40,120,000
Advance and other Accounts	2,867,573,936	- 1,945,099,288
Premises Equipment & other Secs	2,409,658,314	- 1,912,967,935
Notes	6,537,274	- 1,344,778
Coin	211,082	+ 11,227
	6,663,086,781	- 3,899,520,774
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	16,223,462,726	+ 31,344,778
Notes in Banking Department	6,537,274	- 1,344,778
	16,230,000,000	+ 30,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	6,182,824,441	- 1,165,717,810
Other Securities	10,036,160,459	+ 1,195,717,810
	16,230,000,000	+ 30,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk.	9
Allied Trust Bank	10	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Dao Heng Bank (Ldn) Plc	11	Mount Banking	9
● Henry Ansbacher	9	Duncan Lawrie	9	NatWestminster	9
B & C Merchant Bank	13	Equatorial Bank plc	9	Northern Bank Ltd	9
Bank of Baroda	9	Exeter Bank Limited	9.5	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	Financial & Gen. Bank	9	Provincial Bank PLC	14
Bank of Cyprus	9	● Robert Fleming & Co.	9	● Rea Brothers	9
Bank of Ireland	9	Robert Fraser & Ptnrs.	9.5	Roxburghe Bank Ltd.	10
Bank of India	9	Girobank	9	Royal Bk of Scotland	9
Bank of Scotland	9	● Guinness Mahon	9	● Smith & Williman Secs	9
Banque Belge Ltd	9	Habib Bank AG Zurich	9	Standard Chartered	9
Barclays Bank	9	● Hambros Bank	9	TSB	9
Brit Bk of Mid East	9	Hampshire Trust Plc	13.5	Unibank plc	9
● Brown Shipley	9	Heritable & Gen Inv Bnk.	9	● United Bk of Kuwait	9
CL Bank Nederland	9	● Hill Samuel	9	Unity Trust Bank Plc	9
Citibank NA	9	C. Hoare & Co.	9	Western Trust	9
City Merchants Bank	9	Hongkong & Shanghai	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	Julian Hodge Bank	9	Yorkshire Bank	9
Co-operative Bank	9	● Leopold Joseph & Sons	9		
Coutts & Co.	9	Lloyds Bank	9		
		Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

TANJONG
PUBLIC LIMITED COMPANY
(Incorporated in England No. 210874)

NOTICE OF FIRST INTERIM DIVIDEND AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that a first interim dividend of 1.3 sen per share (after having taken account of Malaysian Income Tax at 35%) in respect of the financial year ending 31 January 1993 was declared by the Directors on 1 October 1992. The dividend will be paid on 5 December 1992 to shareholders on record of the Company at the close of business on 2 November 1992.

The Register of Members of the Company will be closed from 3 November 1992 to 6 November 1992 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend.

Registrable transfers received by the Company's Registrars in Malaysia, Signet & Co. Sdn Bhd. at 1802, 18th Floor, Pernas International Building, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, and the Company's Principal Registrars in the United Kingdom, Stentiford Close Registrars Limited, at Broseley House, Newlands Drive, Witham, Essex CM8 2UL, up to the close of business at 5.00 p.m. on 2 November 1992 will be registered before entitlements to the dividend are determined.

By Order of the Board

Director

3 October 1992

17th Floor Menara Boustead
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

DONG AH CONSTRUCTION INDUSTRIAL CO., LTD.
(incorporated in the Republic of Korea with limited liability)

Notice

to the Bondholders of the outstanding
US$ 50,000,000
1¼ per cent. Convertible Bonds due 2004
of
Dong Ah Construction Industrial Co. Ltd.
(the "Bonds" and the "Company" respectively)

NOTICE IS HEREBY GIVEN to the Bondholders that on May 29, 1992, the Company has authorised the granting to the holders of its Shares of rights to subscribe for further Shares in the Company. The record date for such granting will be August 27, 1992 and the subscription price was set at ₩7,000.

The Company anticipates that such rights will entitle holders of its Shares to subscribe for further Shares in the Company at a consideration per Share receivable by the Company which is less than the current market price per Share (determined in accordance with the provisions of the Trust Deed constituting the Bonds) at August 27, 1992, the record date for the granting.

Accordingly, in accordance with the provision of the said Trust Deed, the existing conversion price of ₩51,050 has been adjusted with effect from August 28, 1992, to ₩47,680.

3rd October, 1992 Dong AH Construction Industrial Co., Ltd.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. Φ Bargains done the previous day.

British Funds, etc

No. of bargains included 2503

Treasury 13¾% Stk 2000/03 - £125¾ 125¾ ZZ125¾

Exchequer 10½% Stk 2005 - £109¾

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £120¾

Corporation and County Stocks

No. of bargains included 1

UK Public Boards

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

£98¾

Lloyds Bank PLC 10¾% Subord Bds 1998(Br£10000) - £102¾ (30Se92)

11¾% Subord Serial Nts 1998(Br£10000) - £105¼ ¼ (29Se92)

Lucas Industries PLC 10⅞% Bds 2020 (Br£10000&100000) - £89⅞ (30Se92)

MEPC PLC 9⅞% Bds 2004 - £88½

10¾% Bds 2003 - £91½ ¾ ½

MEPC PLC 12% Bds 2006 (Br £10000 & 100000) - £102⅛ ⅞ (30Se92)

Municipality Finance Ld 9¾% Gtd Nts 1997 (Br £Var) - £101¼Φ

National Mutual Group Finance Ld 10%

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Listed Companies (excluding Investment Trusts)

Investment Trusts

USM Appendix

Miscellaneous Warrants

Rule 535(2)

Major UK Co's Fund - £0.9127

Management Services(Guern)

European Bond - £6.742629

Industries PLC Ord 2½p - £0.0425

Ord 7½p(2½p Regd) - £0.0075

Newspapers PLC Ord £1 - £2.33 (25Se92)

Britain Ld Oil Royalty Stk Units 1p

Technology PLC Ord 10p - £0.48

PLC Ord 25p - £0.52 0.525 0.56

Entertainments PLC Ord 5p - 0½

Ld"A" Non.V Ord 25p - £11.2

Properties PLC 25p - £0.57

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Alltel Corp £24⅞ (28.9)
Aust. Foundation Inv 74.5 (29.9)
Churchill Resources A$0.198 (29.9)
City Developments S$3.49
Community Psychiatric Centers $9.25 (30.9)
Niugini Mining £1.06 (30.9)
North Flinders Mines A$3.978
Oil Search A$0.756 (25.9)
Playmates Hldgs HK$2.736 (25.9)
Storer Communications $K202.0
Sun Electric Corp $11.1875 (28.9)
United Overseas Land S$1.29

By Permission of the Stock Exchange Council

etback as

grades

Base metal

LONDON STOCK EXCHANGE

Setback as interest rate hopes fade

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30am two business days earlier.

THE LONDON stock market yesterday paid dearly for the interest rate optimism which had sustained it earlier in the week. Gains in share prices were sharply reversed as sterling crumbled after hopes of rate cuts in Germany and in the US were dashed. The two-week equity trading account ended on a sour note with the FT-SE index showing a fall of more than 22 points on the day.

The deepening setback in the pound now casts serious questions over whether another early cut in UK base rates is possible, according to Mr. Ian Harnett, strategist at Strauss Turnbull. The stock market had been hoping for a further one point reduction in base rates, perhaps ahead of next week's annual conference of the Conservative party, when Mr John Major, the UK prime minister, must defend his stated intention to pass the Maastricht legislation during this parliamentary session.

Political worries depressed equities at first but share prices rose quickly behind a firm opening in stock index futures. The Footsie was quickly ahead by 12.7 points before it began to fade as it awaited confirmation that the Bundesbank was leaving interest rates unchanged.

But the slide in equities gathered pace significantly after better employment data than expected in the US appeared to eliminate the chances of a further easing in Federal Reserve credit policy at present.

With sterling nearly eight pfennigs down against the DM and the Dow Industrial Average 31 off at the London close, the Footsie did well to rally for a final reading of 2,549.7, a net loss on the day of 22.6. Seaq volume fell to 599.8m shares from Thursday's 823m, which was worth £1.4bn in retail business, maintaining the improved customer business levels seen since sterling left the ERM network.

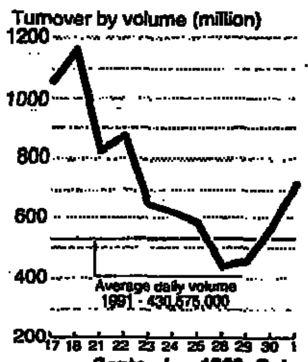
The stock market has fallen by around 2 per cent this week as sterling's weakness and calls for the resignation of Mr Norman Lamont, the UK chancellor of the exchequer, have unsettled expectations that UK base rates could be cut to 8 per cent by Christmas. However, over the two-week account, the fall in the Footsie has been only about 0.7 per cent.

Government bonds gave back early gains and closed lower as sterling fell. Losses among the long dates were no more than $\frac{1}{16}$ with the shorts showing similar losses. Index-linked also gave back gains.

● After receding from the levels which followed sterling's withdrawal from the ERM, retail volume has begun to rise again.

London SE volume

Turnover by volume (million)



Average daily volume 1991 - 430,675,000

September 1992 Oct

FINANCIAL TIMES STOCK INDICES

	Oct 2	Oct 1	Sept 30	Sept 29	Sept 28	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.85	89.21	89.35	89.56	89.65	87.28	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.76	103.98	104.35	104.27	104.26	97.07	106.46 (14/9)	97.15 (2/1)	106.35 (8/7/92)	50.53 (3/1/75)
Ordinary Share●	1852.5	1875.1	1880.5	1876.5	1873.1	2018.7	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	72.1	73.0	74.2	74.8	77.1	181.2	160.8 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2549.7	2572.3	2553.0	2565.5	2560.0	2624.2	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1062.72	1077.67	1079.39	1080.87	1082.26	1170.14	1248.79 (11/6)	1029.56 (25/8)	1248.79 (11/5/92)	938.82 (16/1/91)
●Ord Div. Yield	4.79	4.74	4.76	4.72	4.73	4.65				
●Earning Yld %(full)	6.98	6.90	6.94	6.87	6.89	7.41				
●P/E Ratio(Net)(∗)	18.15	18.36	18.25	18.43	18.37	16.64				
SEAQ Bargns 5.00pm	26,420	25,704	20,685	21,642	21,996	30,955				
Equity Turnover(£m)†	-	1437.3	1532.0	1128.5	1151.1	773.99				
Equity Bargains†	-	29,958	25,176	24,520	26,364	31,250				
Shares Traded (ml)†	-	722.8	580.9	454.7	437.7	408.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90.

Ordinary Share Index, Hourly changes — Day's High 1879.9 — Day's Low 1847.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1868.5	1862.2	1879.8	1875.3	1871.3	1873.6	1872.4	1871.5	1854.3

FT-SE 100, Hourly changes — Day's High 2585.0 — Day's Low 2544.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2569.2	2561.5	2584.2	2580.0	2574.3	2577.6	2574.5	2574.6	2552.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1078.27 — Day's Low 1058.37

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1075.82	1074.78	1072.81	1073.69	1069.43	1070.77	1060.89

GILT EDGED ACTIVITY

Indices	Oct 1	Sept 30
Gilt Edged Bargains	113.1	165.7
5 - Day average	131.5	148.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Upgrades boost stores

UPGRADES in profits estimates for *Storehouse* by four leading securities houses boosted shares in the clothing group yesterday as it hinted at buoyant sales just before it moved into the closed period when companies are inhibited from commenting on trading progress. SG Warburg, UBS Phillips and Drew, Nomura and County NatWest all raised forecasts, the range increasing by around £5m to a range of £34m-£39m. Sales increases at both Mothercare and BHS are credited for the upgrades, although some analysts also highlighted the group's restructuring measures and more focused management strategy.

However, it was also pointed out that the figures compare with weak sales in the comparable period and that trading has fallen somewhat in the last two weeks as poor summer weather has affected the autumn selling season.

Ms Kimlan Cook at County NatWest, who changed to a buyer of the stock two weeks ago, estimates that group sales are up around 9 per cent in the fist half this year, with Mothercare up 12 per cent and BHS 11 per cent.

Storehouse shares climbed 6 to 148p and also gave a boost to other clothing retailers, among which Next added 5 to 105p and Burton 2 to 41½p.

Utilities active

After the shock of the price cuts in water supply ordered by Ofwat, some brokers took the opportunity to reassess prospects for the utility sector to allow for possible further regulatory action in the future. However, the main message was that in the current short-term economic uncertainty, utilities continue to offer safe and strong dividend growth. Mr Peter Hyde at Kleinwort Benson believes the downside risk for water stocks remains long-term and that in the short-term they will perform well.

However, Mr Simon Taylor at Robert Flemings is advising clients to go underweight in waters because of the potential for further and harsher regulatory measures. However, Ms Donna Lury at Nikko said that water stocks, while the most at risk to regulation of all utilities, still offer strong defensive and recovery plays. She particularly likes Northumbrian Water, up 10 at 503p, Severn Trent, 7 to 406p, and Wessex Water 10 to 512p.

Building materials group Redland shrugged off Thursday's profit downgradings and bounced strongly, closing as one of the best performing FT-SE stock on a weak day in the stock market.

Buying for Monday's dividend payment, along with a reassesment of the company's prospects following Thursday's better than expected interim results saw the shares jump 20 to 363p, at the day's peak.

Profit taking and the downward pressure on the market as a whole forced the shares to surrender some of the earlier gains, but they still ended 16 up at 358p in reasonable turnover of 2.8m shares.

The shares had been in the doldrums in the period leading up to the interims as the market wrongly anticipated a poor set of interim figures. The release of the figures which showed a jump of nearly £10m in profits to £88.5m and the reassurance from the company that it would pay an unchanged dividend for 1992 were however ignored on Thursday as dealers instead focused on the clutch of profit downgradings delivered analysts.

Trafalgar House, in which Hongkong Land now has a near 15 per cent stake had calmer session yesterday. The shares fell 4 to 85¼p, around the price at which Hongkong Land has said it wants to acquire another 15 per cent in Trafalgar. Turnover in the ordinary shares reached 6.3m.

Business services group BET was once again at the receiving end of a broker's downgrading, this time from Strauss Turnbull. The shares fell another 7 to 95p.

British Telecom announced a new package of pricing mechanisms, designed to strengthen brand loyalty. The shares shaded 1½ to 355½. Talk that enquiries to Vodafone's new Low-Call cellular operation were very encouraging lifted the shares 7 to 340p.

Elsewhere in the sector, shares in Pilkington fell 6 to 77p,making it the day's worst performing stock in the market, in percentage termsNews that Cadbury-Schweppes would be making large redundancy provisions overhung the shares, which fell back 10 to 428p, as most houses downgraded the food group. Nomura was recommending a switch into Unilever, 17 ahead at 1077p. Old Whispers that Dalgety, down 4 at 419p, was stalking RHM were given little credence by the market. The shares climbed 7 to 175p. A big seller of stock in WH Smith knocked the stores group back 14 to 426p.

In a weak breweries sector, Scottish and Newcastle retreated 18 to 412p. The company was hosting an analysts' visit to one of its Centre Parc complexes in Paris and lack of feedback from France appeared to be restraining the shares yesterday. There was more bleak news for Grand Metropolitan – the drinks group has been under pressure all week from brokers downgrades – as US investment bank Paine Webber reduced its profit forecast. The shares shed 18 to 384p.

A recommendation from Kleinwort Benson helped Fisons gain 7 to 196p. SmithKline Beecham held up ahead of a meeting of the US authorities on Monday where approval is expected for Seroxat, one of the company's frontline drugs, The shares lost a penny to 491p.

Profit taking left Enterprise Oil 5 lighter at 425p. The shares had performed particularly well for most of the week, following news that it had filed for a listing of its American Depositary Shares (ADR) in New York.

Investors continued to view Shell Transport, as the "quality stock" in the oil sector and the shares held up relatively well easing only 2 to 545p, on turnover of 545p.

Shares in USM-listed Ramco Oil jumped 15 to 51p, after announcing it (and a partner) had signed an exclusive exploration agreement with the Government of Azerbaijan to develop a field in the Caspian Sea.

Shares in freight group NFC fell sharply after the company issued £80m worth of convertible bonds. The shares closed 17 down at 252p.

The news that British Airways is to postpone plans to proceed with the implementation of its $750m purchase of a 44 per cent stake in USAir upset the shares which eased 6 to 289p. Sellers were seen in P&O and the shares retreated 12 to 398p. Profit taking in BAA left the shares 14 lighter at 713p.

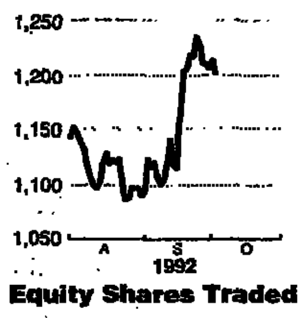
In engineers, TI Group jumped 16 to 298p, on further appreciation of the lower than anticipated provisions made for the Dowty Group acquisition. Sentiment was also boosted by the appreciating dollar.

Siebe, normally a beneficiary of an improved dollar retreated 18 to 341p, with broker Williams de Broe reported to have a large line of the stock on its books. The stock was also said to have suffered from switching into TI Group. British Steel was in demand. The shares hardened 1½ to 62½p, as turnover swelled to 13m. UBS Phillips & Drew and Goldman Sachs were said to have been active.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 11

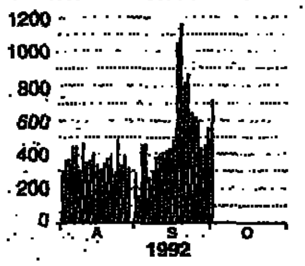
FT~A All-Share Index



1992

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



1992

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (58).
BRITISH FUNDS (12) Ex. 13½pc '94, Tr. 10pc '94, Ex. 12½pc '94, Tr. 9pc '94, Tr. 12pc '95, Ex. 10¼pc '95, Tr 12¾pc '95, Tr. 14pc '96, Tr. 4⅝pc IL '98, Tr. 2pc IL '06, Tr. 2½pc '13, Tr. 2½pc IL '16, AMERICANS (7) Ameritech, Bell Atlantic, Dun & Bradstreet, Houston, Lockheed, Southwestern Bell, US West, BANKS (1) ABN AMRO, BUSINESS SERVICES (1) Reliance Sec., CHEMICALS (3) Akzo, Bayer, Engelhard, ELECTRICITY (1) Scot. Power, ENGINEERING GENERAL (1) Rotork, FOOD MANUFACTURING (3) Nestle (Br), Do (Reg). Unilever, FOOD RETAILING (1) Sainsbury (J), HEALTH & HOUSEHOLD (4) Cahill May Roberts, Huntleigh Tech., Novo Nordisk, Quality Care Homes, HOTELS & LEISURE (1) Jurys, INSURANCE BROKERS (1) Alex. & Alex.; INSURANCE COMPOSITE (2) Aon, Hibernian, INSURANCE LIFE (1) Lincoln Natl., INVESTMENT TRUSTS (8) First Philippine Inv., GT Venture, Henderson Euro. Units, Rolinco, Do Sub Shs., Spanish Smlr. Wts., MEDIA (3) Central ITV, Scot. TV, Taylor Nelson, MOTORS (1) First Tech., OIL & GAS (2) Royal Dutch, Shell, PACKAGING, PAPER & PRINTING (2) Clondalkin, Lawson Mardon, PROPERTY (1) Embassy. WATER (1) Mid Kent, MINES (1) Navan.

NEW LOWS (53).
BRITISH FUNDS (3) Tr. 9pc '12 A, Tr. 8¼pc '17, Do '17 A, BREWERS & DISTILLERS (1) Merrydown, BUILDING MATERIALS (1) Hewetson, BUSINESS SERVICES (3) Air London, Boustead, Proudfoot (A), CONGLOMERATES (3) Cannon St., Crean (J), Tollgate, CONTRACTING & CONSTRUCTION (3) AMEC 6½pc Pf, Campbell & Armstrong, Crest Nicholson 5½pc Pf, ELECTRICITY (1) Wolfsea Ftgs., ELECTRONICS (1) Enterprise Comp., ENGINEERING GENERAL (3) Hall, Platon, Wilkes (J), HOTELS & LEISURE (2) Stanley, Sunleigh, INVESTMENT TRUSTS (7) Emoor Dual Inc., First Spanish, Genesis Chile Fd., German Smlr. Co's Wts., Japanese Warrant Fd., SPRIT Wts., Turkey Tst., MEDIA (4) Anglia TV, HTV, Moore O'Ferrall, Yorks. Tyne-Tees, METAL & METAL FORMING (1) Barrett (H), MISCELLANEOUS (1) Hornby, MOTORS (3) Cavendish, European, Kwik-Fit, OIL & GAS (2) New London, North Sea Assets, OTHER FINANCIAL (2) Aberdeen, GR, OTHER INDUSTRIALS (1) Whitecroft, PACKAGING, PAPER & PRINTING (3) Dolphin Pckg., Star-Plus, Unit, PROPERTY (2) Five Oaks, Property Tst., TEXTILES (2) Foster (J), Victoria Carpet, MINES (4) Devex, Elandsrand, Meekatharra, Zandpan.

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	3	70	4	110	231	44
Other Fixed Interest	3	11	1	16	37	22
Commercial, Industrial	236	307	881	1,081	1,684	4,359
Financial & Property	120	179	502	372	1,192	2,443
Oil & Gas	22	27	36	83	130	212
Plantations	0	2	7	2	3	40
Mines	36	49	62	100	262	373
Others	46	42	26	148	269	153
Totals	466	687	1,519	1,912	3,808	7,646

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
Booker	157	375	-1	Hanson Warrants	892	18½	-¼	Reed Intl.	2,000	555	-18	Unigate	1,100	246	-4
Boots	650	470	-11	Harrisons Crosfield	1,600	135	+4	Rentokil	1,800	175	-2	Unilever	854	1077	+17
Bowater	252	843	-19	Hillsdown	8,500	89	+4	Reuters	1,500	1237	+22	United Biscuits	321	315	-3
Brit. Aerospace	3,600	134	+3	IMI	412	246	-2	Rolls Royce	4,200	134	-1	Utd. Newspapers	557	436	-2
British Airways	3,400	289	-6	ICI	1,600	1059	-16	Rothmans	1,700	586	-18	Vodafone	3,900	340	+7
British Gas	12,000	243½	-3½	Inchcape	957	488	-2	Ryl Bk Scotland	763	160	-2	Warburg (SG)	626	511	-1
British Land	139	148	+1	Kingfisher	1,400	500		Royal Insurance	1,600	185	-6	Wellcome	968	937	+4
British Steel	15,000	62½	+1½	Kwik Save	132	666	-4	Saatchi	99	152		Welsh Water	1,300	468	+18
Bunzl	67	99	-1	Ladbroke	1,300	172		Sainsbury	2,000	480	-3	Wessex Water	334	512	+10
Burmah Castrol	1,200	827	-1	Land Securities	2,800	403	-2	Scottish & New.	1,200	412	-18	Whitbread 'A'	387	422	-11
Burton	5,900	41½	+2	Laporte	8	557		Scot. Hydro - Elect.	2,100	212½	+1½	Williams Hldgs.	1,300	263	-9
Cable & Wire.	1,300	565	-5	Legal & General	574	350	-9	Scottish Power	3,600	190	+1	Willis Corroon	1,100	200	+3
Cadbury Schweppes	2,000	428	-10	Lloyds Abbey	353	342	-1	Sears	1,500	77	-1	Wimpey	123	103	-2
Calor Group	215	193		Lloyds Bank	3,100	444		Sedgwick	783	133	-1	Wolseley	64	398	-1
Carlton Comms	1,900	662	+1	LASMO	4,100	181½	-½	Seeboard	408	400	+4	Yorkshire Elect.	651	430	+6
Coats Viyella	707	203	+4	London Elect.	398	390	+8	Severn Trent Water	2,500	406	+7	Yorkshire Water	72	475	+11

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE FALL in sterling as hopes of interest rate cuts in Germany and the US evaporated depressed derivatives markets yesterday, although trading activity was at a low ebb, writes Terry Byland.

In stock index futures, the December contract on the Footsie lost much of its fair value premium on this week and also for the new equity account which opens on Monday; fair value is the premium against the cash market after allowing for dividend flows and financing costs on the underlying stocks.

The December contract had an erratic session, opening lower and then moving higher, only to turn sharply downwards at the end of the day. At its best level of around 2,636, the contract could not match the best of the previous day.

In after hours dealings, the contract traded around 2,575, a premium of 26 to cash and at a discount of around nine on next week's estimated fair value of 35. Total volume was extremely low at 9,827

Traded options was steadier, at 35,791, with the FT-SE contract trading 9,046 contracts and Trafalgar House (3,272) also active. Glaxo headed the list of stock options.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4123	+ 1.223	8.87	9.10	8.90
BELGIUM		8.750	06/02	101.3300	-	8.53	8.60	9.09
CANADA *		8.500	04/02	104.0000	-1.050	7.89	7.75	7.23
DENMARK		9.000	11/00	96.6200	-0.130	9.61	9.55	9.83
FRANCE	BTAN	8.500	03/97	99.0726	+0.143	8.73	8.60	9.59
	OAT	8.500	11/02	99.6950	+0.520	8.53	8.40	9.11
GERMANY		8.000	07/02	104.1850	+0.170	7.38	7.49	7.90
ITALY		12.000	05/02	91.0000	-1.750	14.18†	14.17	14.02
JAPAN	No 119	4.800	06/99	100.8189	+0.205	4.64	4.74	4.91
	No 145	5.500	03/02	104.5842	-0.207	4.80	4.78	4.89
NETHERLANDS		8.250	06/02	103.3600	+0.270	7.74	7.82	8.33
SPAIN		10.300	06/02	83.4000	-0.100	13.43	13.00	12.79
UK GILTS		10.000	11/96	105-00	-3/32	8.52	8.55	9.80
		9.750	08/02	104-07	-24/32	9.08	8.98	9.50
		9.000	10/08	95-27	-13/32	9.39	9.24	9.24
US TREASURY *		6.375	08/02	100-22	-	6.28	6.40	6.53
		7.250	08/22	98-25	-7/32	7.35	7.36	7.37
ECU (French Govt)		8.500	03/02	94.8000	+0.050	9.34	9.23	9.75

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday October 2 1992

Water	+	33.96	All-Share Index	+	1.40
Electronics	+	21.17	500-Share Index	+	1.07
Banks	+	19.51	Engineering-General	-	0.15
Electricity	+	17.13	Consumer Group	-	0.33
Other Industrials	+	16.85	Investment Trusts	-	2.71
Media	+	14.20	Brewers & Distillers	-	2.93
Textiles	+	14.09	Food Manufacturing	-	2.98
Food Retailing	+	13.52	Conglomerates	-	3.52
Other Groups	+	6.88	Chemicals	-	4.30
Stores	+	5.55	Business Services	-	4.71
Transport	+	5.49	Health & Household	-	7.11
Financial Group	+	4.38	Oil & Gas	-	8.01
Merchant Banks	+	3.98	Hotels & Leisure	-	10.35
Insurance (Life)	+	3.74	Electricals	-	11.24
Telephone Networks	+	3.35	Engineering-Aerospace	-	12.23
Metals & Metal Forming	+	3.06	Building Materials	-	20.92
Insurance (Composite)	+	2.99	Insurance Brokers	-	27.50
Motors	+	2.51	Contracting, Construction	-	28.42
Industrial Group	+	2.30	Property	-	29.86
Packaging, Paper & Printing	+	1.98	Gold Mines Index	-	46.99
Capital Goods	+	1.86			

COMMODITIES

WEEK IN THE MARKETS

Base metal prices take a tumble

BASE METAL prices on the London Metal Exchange began the week as they meant to go on – downwards.

"The metal markets have been disembowelled," said one analyst of Monday, when prices fell across the board. Heavy selling of copper, zinc and nickel reflected growing fears that the sluggish state of worldwide economic recovery would continue for some time.

Economic data coming from the US, Japan and Germany – the major outlets for base metals – have reinforced the gloom over the week, suggested Mr Nick Moore, analyst with Ord Minnett. Growth in OECD countries had been postponed, and the markets could only wait for producers to show some restraint.

Obvious signs of the strain of low prices on producers emerged with news that Inco, the world's largest nickel producer with about 25 per cent of the market, was in talks with unions about action to stem losses. "We have a number of options, including production shutdowns or shorter work weeks," said Mr Bob Allen, Inco's vice-president of corporate affairs, on Tuesday. He dismissed as "absurd" market talk that the company, which produces about 113,000 tonnes of nickel a year, might cut production for six months.

Nickel demand has been depressed by a fall in stainless steel production, which accounts for about 60 per cent of nickel consumption, and by big increases in Russian exports to the west.

Inco's production costs are thought to be about $3.25 a lb for nickel. Last night cash nickel closed at $6,705 a tonne, down $165 on the week, and equivalent to $3.04 a lb. News that Inco plans to make a statement on Monday came too late to affect the market.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+4,225	to 1,371,225
Copper	+4,875	to 296,750
Lead	+750	to 170,475
Nickel	+594	to 48,344
Zinc	+3,600	to 386,550
Tin	unch.	to 14,905

Low aluminium prices are delaying the start of work on new smelting capacity, according to Mr Harry Helton, an executive vice-president at Reynolds Metals, the second biggest US aluminium group. He believes the west needs to build 13 new smelters at about $1bn each by the year 2002 to keep pace with demand. But before investment could proceed, the industry needed to see a sustained price of between 80 and 85 cents a lb, equivalent to between $1,763 and $1,873 a tonne.

Last night cash aluminium closed at $1,212.50, down $27 on the day having recovered from earlier eight-month lows. Aluminium fell on every day of the week, closing down $61.

Rising stocks have put pressure on the copper market this week, cash copper closing yesterday at £1,331.50, down £62 on the week. LME warehouse stocks were up 3,650 tonnes on Tuesday and a further 4,875 tonnes yesterday, taking them to the highest level since March at 296,750 tonnes. Stocks on New York's Comex are at a five-year high of 51,025 short tons (2,000 lbs each).

However, the recent price weakness reflected only a correction to the sharp gains of June and July, said Mr Wiktor Bielski, analyst with Carr Kitkat & Aitken. In a special report on copper this week, he suggested that copper demand could rise by 2.5 per cent next year on renewed economic growth in Japan and the US. This would result in a supply deficit of about 200,000 tonnes compared with a 75,000 tonne deficit this year, and trigger some sharp price spikes.

The International Coffee Organisation's talks on a new pact lasted through Wednesday night to end on Thursday at 7am with the feeling that something – although not much – had been accomplished in 10 days. As one New York analyst put it: "At least they didn't strangle each other like they did in July."

Analysts believe it is now just possible that a new agreement can be agreed by the end of the year at meetings starting at the end of next month. However, serious subjects such as prices and market share have yet to be broached.

The markets have been a little ambivalent towards the ICO talks. London's November robusta contract closed yesterday at $802 a tonne, down $2 on the week, having at one stage fallen as low as $763.

The gold market weathered a sharp hike in the overnight cost of leasing gold. The glitch in an otherwise smooth week followed a central bank's unexpected removal from the market of 1.4m troy ounces of gold which it had swapped (sold with a commitment to buy back at an agreed price and date). Usually such swaps are rolled over.

However, by the end of the week leasing rates were easing back to more normal levels, and gold closed yesterday at $348.15 a troy ounce, just $1.20 down on the week.

David Blackwell

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51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	125 9	127 2	133 9	+0 60	0 00
AIB Grofund Equity	5	180 3	182.7	193 3	+1 80	2.60
AIB Grofund Euro	5	135.3	138.1	145 4	-0 90	0 49
AIB Grofund Gilt	3	71.25	71.27	73 47	+0 19	5 92
AIB Grofund Japan	5	112.6	113 8	119 8	+0 25	0 00

AXA Equity & Law Unit Tst Mngrs (1200)H

Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	355 6	357 9xd	380 8	+0 9	3 50
General Acc	5	387 2	389 8xd	414 7	+0 9	3 50
UK Growth Acc	6	263 0	267.5	284 6	+0.3	3.80
UK Growth Inc	6	191.7	194.9	207 4	+0 1	3 80
Higher Inc Acc	6	442.9	451 3	480 2	+0.9	5.37
Higher Inc Inc	6	279 5	284.8	303 0	+0 6	5.37
Gilts/F xd Int Acc	5½	158 7	159 4xd	167 8	+0 7	7 46
Gilts/F xd Int Inc	5½	85 47	85 88xd	90 38	+0.37	7 46
Nth America	6	190 7	195 1	207 6	+1.2	0 00
Far East	6	203 9	203 9	217 0	+1.1	0 53
Europe	6	190 0	190 0xd	202.2	-2 9	0 91
Brit Excell	6	53 65	53 65	57 09	+0 15	4 05
Brit Fndmnt's Acc	6	68 23	68 23xd	72 59	-0 01	6.36
Brit Fndmnt's Inc	6	53 55	53 55xd	56.97	-0 01	6 36
Global Opps	6	51 94	52.75	56 12	+0.38	0 43

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	77 28	78.29xd	83 73	-0.09	2 40
Do (Accum)	6	84.37	85.48	91.42	-0 06	2.40
Smaller Cos	6	58.49	58 49	62 55	-1.84	2.32
Do (Accum)	6	62 46	62.46	66 81	-1.97	2.32
Higher Yield	6	30.30	30 30xd	32.41	-0.12	5 26
Do (Accum)	6	40 97	40 97	43 81	-0.17	5.26
American Gth Inc	6	39.10	39 37	42.10	+0.57	0 33
Do (Accum)	6	39 84	40.11	42 90	+0.58	0 33
European Growth	6	84 75	84 75xd	90 64	-0.24	2.04
Do (Accum)	6	85 54	85 54	91 48	-0.25	2 04
Global Bond Inc	6	26.31	26.35	27 97	+0.29	5 87
Do (Accum)	6	31 52	31.57	33 51	+0.35	5.87
Managed P'folio Inc	6	26 50	26 57xd	28 42	+0 25	0 00
Do Accum	6	26 58	26 65	28 50	+0.25	0 00
Pacific Growth Accum	6	68 75	69.56	74.39	+1 17	1 13
Intl Spec Opps Accum	6	60.18	60 72	64.94	+0.23	0 77

Brown Shipley & Co Ltd (1000)F

9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	70 08	70 08	74 64	+0 25	2.79
Mngd P'folio Acc	6	131 2	131 2	139 7	+0.50	-
UK General	6	118.8	118 8	126.5	+0.30	4 01
Conv & General	6	14 45	14 45xd	15.39	+0.05	10 02
European Inc	6	19.90	19 90xd	21.46	+0 06	0 53
European Acc	6	20.44	20 44	22 04	+0 06	-
Financial	6	85.46	85 89xd	91.73	+0.27	4 84
Foundation	6	56 93	58 47xd	62.27	+0 10	4.51
German	6	36 20	36.20	38.79	+0 85	0 10
Growth Inc (5-1)	5	24 74	24 74	26.39	+0 20	3 51
Growth Acc (5-1)	5	28.55	28.56	30 47	+0 24	-
High Income	6	55 99	56.37xd	60 77	+0 32	7.73
Income	6	95 17	97 29xd	104 1	+0.40	5.57
Intl Income	6	76 84	76 84	81 83	+0.30	5 89
Intl Growth ‡	6	25 39	25 39	27 04	+0 11	0 29
Monthly Income	6	53 78	55 10	58 68	-0 11	5 74
North American	6	75 56	75 56	80 47	-0.27	0 27
Orient ‡	6	77.57	77 57	83 44	+0 97	-

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	215.9	219 1xd	233 0	+1 0	5 88
(Accum Units)	5	358.3	363.5	386 7	+1.7	5.88
UK Growth	5	279.5	282 0xd	300 0	+1.9	3 42
(Accum Units)	5	342.3	345.5	367 5	+2 4	3 42
Int Equity Gth ‡	5	48.85	48.95	52.07	+0.27	1.12
Intl Bond	5	59.68	59 68	62 67	+0 43	6 29
Special Sits Gwth	5	14.07	14 62xd	15.55	+0.07	3.64
North American Gwth	5	72.72	72 94xd	77.59	+0.16	0.96
European Growth ‡	6	52.16	52.46xd	55.80	-0.21	1.15

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

OTHER UK UNIT TRUSTS

INSURANCES

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9XS 071-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Life Series 2				
Aggressive Ptflio Fund	109 5	115 4	+0 2	-
Balanced Ptflio Fund	314 1	332 4	+0 5	-
Cautious Ptflio Fund	132 0	139 7	+0 3	-
Elite Fund	116 5	123 3	+0 2	-
European Fund	91 4	96 8	+0 7	-
Far East Fund	75 9	80 4	+0 6	-
Fixed Interest Fund	270 6	286 4	+1 6	-
International Fund	211 0	223 3	+1 9	-
Money Fund	231 8	245 3	+0 1	-
N American Fund	159 3	168 6	+1 9	-
Property Fund	395 1	418 1		-
UK Equity Fund	394 8	417 8	-0 6	-
A1 @ Brand Dplo Fund	90 8	96 1	+0 6	-
Swan Select Inv	85 6	91 0		-
Sheppards Mgd Fund	106 3	112 5		-
Swiss Global Fund	129 4	136 9	+0 9	-
Hardwick Tst Fund	75 5	80 3	+0 2	-
Kmart Benson Mgd As Fd	85 6	90 6	-0 6	-
Perpetual Mngd Fd	141 8	150 1	+1 0	-
With Profits Fd	124 7	132 0	+0 1	-
Pension Series 3				
Aggressive Ptflio Fd	96 2	101 9	+0 1	-
Balanced Ptflio Fd	95 3	100 9	+0 2	-
Cautious Ptflio Fd	102 9	108 9	+0 3	-
Elite Fund	94 2	99.7	+0 2	-
European Fund	99 0	104 8	+0 6	-
Far East Fund	75 7	80 2	+0 5	-
Fixed Interest Fund	112 4	119 0	+0 6	-
International Fd	84.5	89 5	+0 8	-
Money Fund	107 5	113 8	+0 1	-
North American Fd	112.9	119.5	+1 5	-
Property Fund	101 2	107 1		-
UK Equity Fd	95 3	100 9	-0 1	-
Kmart Benson Mgd As Fd	84 1	89 0		-
Perpetual Mgd Fd	103 2	109 3	+0 9	-
With Profits Fd	107 3	113 5		-
Bldg Soc Growth Fd	108 9	115 3	+0 1	-

Cannon Assurance Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
2nd Series Pension Accumulation				
Equity	838 6	887 4	1 0	-
High Income	585 4	619 5	+1 30	-
Capital Growth	95 20	100 7	+0 20	-
Property	440 9	466 6		-
Managed 2	181 5	192 1	+1 00	-
Managed	564 3	597 1	+2 80	-
Managed 4	178 7	189 1	+0 70	-
Deposit	481 8	509 8		-
Gilt	429 2	454 2		-
American	784 0	829 6	+20 6	-
International Money	373 6	395 3	+9 50	-
Index	197 7	209 2	+0 20	-
Far East	336 5	356 1	+3 80	-
Global	128 8	136 3	+0 90	-
European	120 4	127 4	-0 5	-
Japan	149 9	158 6	+1 10	-
Heritage Property	79 00	83 60		-
Intl Currency Bond	149 7	158 4	+1 40	-
Other Funds				
Equity Units		£100 6	-0 3	-
Property Units		£27 32	+0 10	-
Balanced Bond Exec	£49 22	52 08	+0 22	-

Century Life Assurance Company Ltd

74 Shepherds Bush Green, W12 8SD 081-740 7070

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
UK Equity	214 6	226 4		-
American Equity	131 7	138 9		-
Far East Equity	143 1	151 0		-
Managed Fund Acc.	380	401		-
International Equity	200 2	211 1		-
Gilt Edged	262 7	277 2		-
Money Fund	204	215 2		-
Henderson	171 2	180 6		-
Perpetual	222 2	234 4		-
Property	140.4	148 1		-
Smaller Cos	166 8	176 0		0
Perpetual Eurogrowth	153 9	162 3		-

Continued on next page

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CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)**

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)**

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 1	Sep 30	Sep 29	Sep 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3254.37	3271.66	3266.80	3276.26	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.94	102.91	102.98	102.93	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1260.45	1276.57	1287.65	1284.62	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.33	220.58	219.83	220.96	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3291.39 (3291.66) Low 3237.35 (3247.89) (Theoretical)‡
Day's High 3280.58 (3276.80) Low 3246.27 (3264.64) (Actual)‡

STANDARD AND POOR'S

	Oct 1	Sep 30	Sep 29	Sep 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.29	417.80	416.80	416.62	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	487.99	490.49	489.96	489.99	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.29	36.01	35.63	35.54	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	228.73	229.46	228.90	228.70	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt Value	374.81	376.72	375.61	377.25	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	578.33	583.27	577.63	575.34	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 30	Sep 23	Sep 16	year ago (approx.)
S & P Industrial div yield	2.70	2.68	2.63	2.73
S & P Indl P/E ratio	27.40	27.57	27.77	21.15

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Medical Care Am	4,686,200	20¼	-4
Time Warner	3,172,300	23	-1¼
Coca Cola	2,637,100	40	-½
Pepsico	2,631,500	39	+1⅛
Merck	2,573,800	44⅛	-⅜
IBM	2,136,800	80⅛	-⅜
Hanson	2,069,600	18⅝	-1
RJR Nabisco	1,797,000	9⅛	+⅛
Gen Motors	1,748,000	31⅝	-½
Telefonos	1,601,200	44½	+¼

TRADING ACTIVITY

† Volume (Millions)	Oct 1	Sep 30	Sep 29
New York SE	203.670	184.220	170.360
Amex	11.077	11.623	9.435
NASDAQ	185.128	187.133	158.855
NYSE			
Issues Traded	2,310	2,332	2,312
Rises	722	1,031	866
Falls	1,003	690	813
Unchanged	585	611	633
New Highs	51	57	41
New Lows	43	34	39

CANADA

TORONTO	Oct 1	Sep 30	Sep 29	Sep 28	1992 HIGH	1992 LOW
Metals & Minerals	2792.58	2830.96	2841.07	2884.10	3238.87 (16/1)	2792.58 (1/10)
Composite	3275.00	3297.88	3327.24	3367.99	3666.00 (16/1)	3275.00 (1/10)
MONTREAL Portfolio	1694.57	1699.56	1719.48	1738.26	1937.59 (16/1)	1694.57 (1/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ‡ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's)

	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1483.0	1472.1	1485.1	1487.7	1664.50 (22/5)	1472.10 (1/10)
All Mining (1/1/80)	656.1	653.5	660.4	665.2	726.80 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	328.55	329.27	326.64	332.85	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	799.32	802.36	795.56	812.46	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1099.81	1109.17	1109.17	1107.20	1236.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	266.44	264.34	262.79	262.57	365.29 (15/1)	262.57 (29/9)
FINLAND						
HEX General (28/12/90)	624.8	625.7	611.6	596.6	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	464.90	471.46	463.14	468.62	565.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1683.34	1724.00	1736.73	1731.93	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	585.93	584.91	584.38	583.58	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1653.7	1650.2	1647.1	1646.8	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1478.04	1484.03	1466.36	1476.26	1811.57 (25/5)	1466.36 (30/9)
HONG KONG						
Hang Seng Bank (31/7/64)	5595.44	5528.84	5505.44	5581.92	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1146.73	1143.27	1144.05	1161.20	1469.57 (17/1)	1143.27 (1/10)
ITALY						
Banca Com. Ital (1972)	365.27	363.10	363.64	358.82	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	721.0	716.0	717.0	706.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17324.07	17369.91	17399.08	17748.09	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1303.14	1304.43	1310.60	1331.72	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1712.78	1717.38	1725.30	1732.16	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	594.59	598.10	602.28	605.93	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Til.Rtn.Gen.(End 1983)	290.6	291.9	291.9	291.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	195.9	196.8	196.8	196.8	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	600.83	602.62	589.03	584.38	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1428.54	1418.11	1404.54	1395.36	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	362.06	363.50	363.81	363.63	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	887.0‡	893.0	902.0	896.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4181.0‡	4199.0	4211.0	4196.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	513.12	508.76	513.82	514.11	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	186.28	186.01	192.95	193.62	266.51 (28/2)	186.01 (1/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	681.2	698.6	696.6	654.1	1014.50 (11/5)	654.10 (29/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	840.1	846.8	844.1	847.6	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	636.0	639.8	638.4	640.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3717.71	3584.08	3524.21	3397.29	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	880.71	859.68	847.00	850.52	880.71 (2/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	495.2°	499.0	501.0	501.8	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	805.59	813.17	814.80	812.67	976.55 (25/5)	793.32 (25/8)

**Saturday September 26 Taiwan Weighted Price 3351.63, Korea Comp Ex 524.23
‡ Subject to official recalculation † Correction. °Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen, CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500: (c) Closed (u) Unavailable

WORLD STOCK MARKETS

AMERICA

September jobs report sparks heavy selling

Wall Street

A MIXED September employment report sparked heavy selling on US markets yesterday as investors' hopes for another interest rate cut receded in the wake of the data, *writes Patrick Harverson in New York*.

By 1pm the Dow Jones Industrial Average was down 33.50 at 3,220.87, slightly off its lows for the session. The more broadly based Standard & Poor's 500 was also sharply lower at the halfway mark, down 4.20 at 412.09, while the Amex composite was down 2.93 at 371.88 and the Nasdaq composite 5.83 lower at 572.50. Turnover on the NYSE was 116m shares by 1pm.

Although the keenly awaited September employment report was not as bad as most analysts had been expecting – non-farm payrolls fell 57,000, compared with the forecast of 120,000 and the national jobless rate dropped unexpectedly from 7.6 per cent to 7.5 per cent – the market still did not like what it saw.

The details of the figures were not promising, with the average working week and average hourly earnings both lower last month. Overall, the data provided little reason to hope for much of a recovery over the rest of the year. Only an interest rate cut from the Federal Reserve could have lifted the market's gloom, but yesterday's figures were deemed insufficiently distressing to prompt such a move.

Among individual stocks banks were mostly lower on disappointment at the lack of a rate cut. BankAmerica slipped $¾ to $43⅛, Citicorp by $¼ to $15⅜, Chemical gave up $½ at $32⅛, Banc One eased $½ to $44¼, and Chase Manhattan fell $⅜ to $22⅛.

K-Mart fell $⅜ to $28⅛ after announcing that it would issue convertible preferred stock to finance the acquisition of Borders, a private book superstore chain. Details on the value of the deal were not available.

Profits warnings sent several shares tumbling. JWP plunged $3⅛ to $3⅞ in turnover of 1.5m shares after the company said it expected to report a third quarter loss of 50 cents a share, compared with a profit of 39 cents a share a year ago. Another company warning of a third quarter loss was Porta Systems, which tumbled $2⅞ to $12⅞ on the American Stock Exchange.

The Sao Paulo Stock Exchange (Bovespa) index fell by 4.6 per cent to 44,473 by midday after the announcement that Mr Gustavo Krause has been appointed as finance minister, *writes Bill Hinchberger in Sao Paulo*. Trading was higher than normal over recent months, with about $55m changing hands by midday. The Bovespa rose by 4.7 per cent on Thursday.

Canada

TORONTO extended its losses to a seventh consecutive session as disappointing US employment data and uncertainty surrounding a Canada unity deal sent equities 1.3 per cent lower. The TSE 300 composite index was down 43.5 at 3,231.6 by midsession in volume of 19.4m shares. Declines led advances by 316 to 113 in turnover of C$230.9m.

SOUTH AFRICA

JOHANNESBURG saw De Beers marked down on reports of a negative television documentary on the diamond industry due to be screened in the UK on Monday. Its shares fell to a new 12-month low of R50.50 before recovering to R50.85, down R1.90. The overall index fell 24 to 3,180 and industrials were 18 lower at 4,181. The gold index was off 6 at 887.

Mr Perot muddies election waters once again

But with a Clinton victory in prospect, **Patrick Harverson** details a sector-by-sector investment approach

Ross Perot has really put the cat among the pigeons now. Just when the stock markets had not only become used to a two-horse race for the White House, but were also gradually coming to terms with the prospect of a Democratic victory, Mr Perot re-entered the race on Thursday.

Mr Perot's re-entry has muddied the electoral waters, and it is much too early to tell how it might affect the final result. A consensus, however, is gradually emerging about what a Clinton victory might mean for the equity markets, and for individual sectors and stocks in particular.

One of the best reviews of the potential impact on stock prices of a leftward shift in US politics was published this week by New York broking house Donaldson, Lufkin & Jenrette.

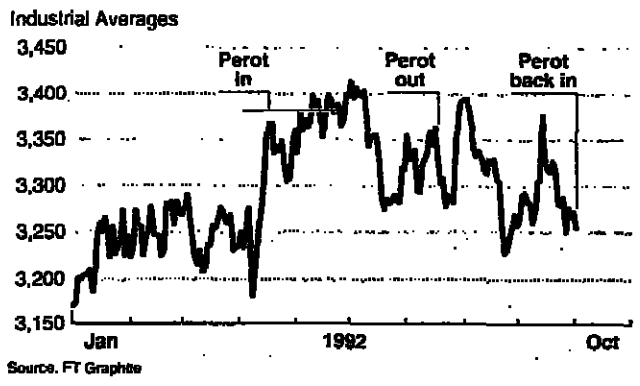
The report kicks off by predicting that Governor Clinton will win, although it was compiled before Mr Perot's return to the race. It has no clear conclusion on what a Clinton administration would mean for the equity market as a whole - there is, wisely, no prediction of where the Dow would be at the end of the first year of a Clinton presidency - but the report does provide some insights into the possible implications for individual sectors.

Auto and related stocks. What the car industry needs is volume, says DLJ, and Clinton's proposed middle-class tax cuts "should be just the ticket for a nice boost in auto demand." Democratic plans for action on research and development tax credits are also welcomed. Any urge to increase import restrictions on foreign cars, however, would not be good in the long run (it could lead to higher car prices and remove the incentive on US manufacturers to improve quality); auto executives in Detroit are reportedly very worried by the thought of an environmental vice president, Al Gore, and do not want a further tightening of restrictions under the Clean Air Act.

Banks. The introduction by the Democrats of government programmes which lead to more fiscal stimulus and economic growth would be good for the sector, but any extension of banking regulation could "further restrict the US banking industry from being an efficient financial intermediary, both domestically and globally." DLJ also points out that the best possible environment for US bank stocks is slow, steady, non-inflationary growth, which is what the US has now. Change, therefore, may not be a good thing.

Dow Jones

Industrial Averages



Source: FT Graphite

Financial Services. DLJ anticipates higher inflation and higher long-term interest rates if the Democrats go ahead with their spending plans. Among the financial service stocks which have traditionally fared worst in such an environment are Dreyfus and Kemper, two investment fund groups, American General, a diversified financial services company, and Sallie Mae, the student loans provider. Securities brokers have showed the least sensitivity on this score.

Food and Beverages. Although food and beverage stocks are thought to have little fundamental exposure to a Democratic administration, higher inflation and interest rates would lower price-earnings ratios for stable growth companies in this sector - so be warned, investors in Anheuser-Busch, Coca-Cola, Campbell Soups, General Mills and Kellogg, to name just a few.

Machinery. Clinton proposes to spend $200bn on road building, infrastructure and related programmes over the next four years. He also wants to increase spending on education by 30 per cent over three years, with the emphasis on vocational training. The machinery sector has a shortage of workers with such training. DLJ believes the North American Free Trade Agreement, vital to the future prosperity of the machinery industry, will not be altered much by Clinton. Consequently, a Democratic president would be good for the sector, especially Caterpillar and Ingersoll-Rand.

Retailing. Although the initial burst of Democratic spending would be positive for retailing, DLJ warns that higher interest rates and inflation would clamp down on any recovery, and so investors should seek out retailers with the resources to expand and have lower cost structures: this means Wal-Mart, Home Depot, Costco, Albertson's and Circuit City.

Healthcare This is the sector that will be most affected by a change of government. On the positive side, any extension of the health insurance programmes would stimulate demand for pharmaceuticals and hospital supply items. On the negative, the Democrats want to control prices on pharmaceuticals reimbursed by public health schemes.

In fact, earlier this week investors began discounting the implication of price controls for medical companies' earnings by selling a range of stocks, including United Healthcare, Merck and Johnson & Johnson.

EUROPE

Bourses weaken on German and US influences

THE LACK of movement from the Bundesbank, followed by steady US September jobless data and its implications for US interest rates, left bourses mostly lower yesterday, *writes Our Markets Staff*.

FRANKFURT fell to a DAX index low of 1,474.25 in the last half hour before recovering to 1,478.04, 5.99 down on the day and 2.3 per cent down on the week. German market turnover from DM5.1bn to DM3.5bn.

Strong gains for the dollar on the jobless data were seen initially as supportive of Germany's cyclical, and export-oriented corporate economy. Among major exporters the carmaker BMW, for which the US is a key market, continued to drift upwards, trading at DM477 in after-market computer business after an official close of DM475, up DM4.

However, dealers were talking more bearishly later, and the run of depressing economic news continued as the association of German machine and machine tool wholesalers said that it expected 1992 turnover to fall by 3 to 5 per cent this year.

FT-SE Eurotrack 100 - Oct 2

Hourly changes

Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
1002.45	1000.78	998.40	998.90	995.90	1001.65	993.53	993.56

Day's High 1002.85 Day's Low 992.76

Oct 1	Sep 30	Sep 29	Sep 28	Sep 25
1006.01	1003.44	1009.98	1016.40	1035.63

Base value 1000 (26/10/90).

PARIS was disappointed by the Bundesbank's announcement and Thursday's poor interim results. The CAC-40 index closed down 40.66 or 2.4 per cent at 1,683.34, a decline of 8.6 per cent on the week. Turnover was moderate at FFr2.2bn.

Peugeot continued to fall following Thursday's results, and on yesterday's news that its September sales year-on-year had fallen by 1.9 per cent against a 4.6 per cent rise from Renault. It slid to a new 1992 low of FFr495.10, down FFr28.90 or 5.5 per cent.

Eurodisney fell on low September attendance and apparent difficulty in attracting foreign tourists. Sterling and lira devaluations were reported to have depressed custom. The shares closed FFr1.60 lower at FFr67.40. Eurotunnel, which said that it will meet analysts on Monday to present new revenue forecasts, was FFr1.40 weaker at FFr35.30.

UAP fell FFr17.50 to FFr367.50 on losses at its Banque Worms subsidiary. Société Générale lost FFr12 to FFr516 and Axa shed FFr44 to FFr734.

MADRID ended with a slight rise but the general feeling was that a further devaluation in the peseta, and up to a 1 per cent rise in interest rates, was imminent. The general index closed 0.27 higher at 186.28, a trend reflected in the Ibex which at one time had been more than 2 per cent lower.

On the week, the general index was 7 per cent lower, but a significant feature yesterday was the return of foreign buyers who have been absent over the last few days.

MILAN mixed the week's disappointing results, from Montedison and EniChem, with speculation and tax influences. The result were a Comit index 2.17 higher at 365.27, up 1.0 per cent on the week and one or two exciting individual moves; but there was an underlying feeling that the corporate sector had more woes to come.

The Fiat group retail and construction companies, Rinascente and Cogefar, rose 8.3 per cent to L4,050 lire and 10.5 per cent to L1,801 before temporary suspension. The excitement followed the Fiat statement that it may sell some non-strategic assets to help finance a heavy car investment programme.

Tax news included newspaper reports that capital gains tax might be suspended for six months and, more ominously, the imposition by decree of the 0.7 per cent tax on corporate net assets and the abolition of local tax deductibility.

Mr Enrico Ponzone and Ms Fiona Marshall of Kleinwort Benson calculate that the deductibility abolition will raise the combined corporate tax ratio from 47.8 to 52.2 per cent and that this, with the net assets tax, could impact company profits next year by as much as 10 to 15 per cent in some cases.

STOCKHOLM lost 2.5 per cent as investors remained worried about the effect of high short-term interest rates. The Affärsvärlden index closed 17.4 lower at 681.2, a 2.4 per cent fall on the week. Turnover was weak at SKr350m against Thursday's SKr446m. Some analysts noted a slight rebound in prices after the US dollar gained strength following positive economic data.

The bank and finance sector worsened with Handelsbanken's A-restricted shares losing SKr2.50 to SKr26.50, while in the beseiged forestry sector Stora's B shares lost SKr12 to SKr186.

Nikkei declines 5.8 per cent on the week

Tokyo

A SIXTH consecutive fall left the Nikkei average 5.8 per cent lower on the week, *writes Emiko Terazono in Tokyo*.

The Nikkei fell 45.84 to the day's low of 17,324.07, after index-linked buying by investment trusts had lifted it to an afternoon high of 17,573.92.

Volume fell to 240m shares from 329m. Advances narrowly led declines by 517 to 437 with 146 unchanged and the Topix index of all first section stocks lost 1.29 to 1,303.14. In London, the ISE/Nikkei 50 index rose 3.88 to 1,040.60.

The market opened firmer on arbitrage buying and bargain hunting by public fund operators, but fell as the Nikkei futures contract trading on the Singapore International Monetary Exchange lost ground. Big investors remained inactive, blaming US economic uncertainty, adding that positions could not be taken ahead of yesterday's US unemployment figures.

Aids-related issues were higher on speculative buying. Green Cross, the pharmaceutical company, rose Y60 to Y1,550. Housing issues liked a 12 per cent rise in housing starts for August. Shokusan Jutaku rose Y43 to Y580 in active trading, while Misawa Homes advanced Y60 to Y1,070.

High-technology issues were hit by the higher yen. Hitachi lost Y3 to Y727 and Matsushita Electric Industrial declined Y10 to Y1,090. However, NEC firmed Y10 to Y690 on bargain hunting, rising for the first time in eight days.

Mitsubishi Heavy Industries advanced Y3 to Y562 on buying by public funds. Nippon Steel also gained Y2 to Y291.

In Osaka, the OSE average rose 163.28 to 18,931.69 in volume of 10.4m shares. Nintendo, the video game maker, declined Y40 to Y9,750, investors wary of its high export ratio and the effects of the higher yen.

Roundup

PACIFIC Region markets were broadly stronger yesterday.

HONG KONG rose on hopes of a cut in domestic interest rates, the Hang Seng index closing 66.6 higher at 5,595.44, still 1.6 per cent lower on the week, as turnover improved from HK$1.5bn to HK$2bn.

Hongkong Land closed 80 cents, or 6 per cent lower at HK$13 as its associate, Jardine Matheson eased 50 cents to HK$50.5, on overseas selling after Hongkong Land's dawn raid on Britain's Trafalgar House.

AUSTRALIA put interest rate hopes together with news of abandoned share issues as the All Ordinaries closed 10.9 higher at 1,483.00, a 0.9 per cent gain on the week. Turnover reached A$200m.

Westpac was down 1 cent at A$2.85 as investors appeared to disregard Thursday's boardroom resignations.

TAIWAN extended its early gains to close sharply higher. The release on bail on Thursday's of Oung Ta-ming, head of the Hualon group, also helped lift sentiment. The weighted index gained 133.63 or 3.7 per cent to 3,717.71, a 7 per cent increase on the week. Turnover was also active, up to T$28.1bn from T$21.6bn.

BANGKOK climbed to a new 17-month high as banks, finance shares and the major property company, Bangkok Land, jumped in afternoon trade. The SET index ended 21.03, or 2.45 per cent higher at 880.71, 2.5 per cent higher on the week, in heavy turnover of Bt19.2bn.

Bangkok Land, the biggest stock in the market, hit its 10 per cent upward limit, rising Bt13 to Bt145 in turnover of Bt1.67bn.

NEW ZEALAND saw a rise in Fletcher Challenge boost the market. The NZSE-40 index advanced 16.52 to 1,423.43 in turnover of NZ$27m. Fletcher Challenge put on 11 cents to NZ$1.94.

MANILA improved on selective buying of blue chips as the composite index gained 10.43 to 1,428.54, up 2.8 per cent on the week. PLDT gained 15 pesos to 1,010 pesos.

SEOUL gained momentum in a technical rebound and the composite index climbed 4.36 to 513.12, a gain of 2.3 per cent on the week. Turnover was Won99.9bn against Thursday's Won82.5bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 1 1992								WEDNESDAY SEPTEMBER 30 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	123.18	−0.8	105.17	93.44	91.29	114.70	−1.0	4.25	124.14	103.31	94.13	91.23	115.80	153.68	123.18	152.62
Austria (19)	161.23	+0.3	137.66	122.31	119.49	119.15	+0.9	2.45	160.71	133.75	121.86	118.11	118.06	186.70	139.27	182.76
Belgium (42)	147.72	−0.1	126.12	112.04	109.48	106.92	+0.4	5.76	147.90	123.08	112.13	108.69	106.50	152.27	135.87	129.50
Canada (114)	116.48	−0.5	99.45	88.35	86.32	104.92	−0.9	3.38	117.10	97.45	88.78	86.05	105.91	142.12	116.48	135.62
Denmark (33)	209.55	+0.5	178.91	158.95	155.30	156.97	+1.0	1.82	208.42	173.45	158.03	153.16	155.34	273.94	196.78	257.07
Finland (15)	58.96	−0.8	50.34	44.72	43.69	55.80	+0.1	2.53	59.42	49.45	45.05	43.67	55.74	89.80	52.84	86.31
France (101)	158.79	−1.2	135.57	120.44	117.67	120.00	−0.5	3.76	160.79	133.81	121.91	118.15	120.63	168.75	148.06	143.75
Germany (64)	114.00	−0.3	97.33	86.49	84.49	84.49	+0.5	2.71	114.39	95.20	86.75	84.06	84.06	129.69	111.48	109.96
Hong Kong (53)	228.80	+0.5	195.35	173.56	169.58	226.86	+0.5	3.87	227.77	189.55	172.70	167.39	225.84	259.55	176.36	169.24
Ireland (16)	145.61	−0.2	124.32	110.45	107.92	110.82	+0.1	4.90	145.89	121.41	110.62	107.21	110.70	173.71	145.54	160.19
Italy (77)	51.00	−0.8	43.54	38.68	37.80	47.50	−0.2	4.39	51.44	42.81	39.00	37.80	47.59	80.86	49.25	73.40
Japan (472)	108.54	−0.3	92.67	82.33	80.45	82.33	−0.3	1.03	108.92	90.64	82.58	80.05	82.58	140.95	87.27	142.07
Malaysia (69)	248.31	−0.7	212.01	188.35	184.02	238.66	−0.7	2.74	250.08	208.12	189.61	183.77	240.26	250.65	212.49	196.59
Mexico (18)	1251.63	+2.1	1068.61	949.41	927.60	4255.23	+2.2	1.41	1225.67	1020.02	929.33	900.71	4162.29	1789.77	1185.84	1187.18
Netherland (25)	168.39	−0.8	143.77	127.73	124.80	123.39	+0.1	4.59	169.67	141.20	128.65	124.69	123.32	169.67	147.88	140.26
New Zealand (14)	40.23	−1.2	34.35	30.52	29.82	39.49	−1.9	5.73	40.73	33.90	30.89	29.94	40.28	48.52	40.23	47.41
Norway (22)	149.32	+1.8	127.48	113.26	110.66	117.19	+2.4	2.07	146.75	122.13	111.27	107.84	114.43	192.95	136.40	197.85
Singapore (38)	188.57	−0.1	161.00	143.04	139.75	138.39	+0.0	2.37	188.79	157.11	143.15	138.73	138.33	229.63	180.71	190.40
South Africa (60)	166.69	−6.3	142.32	126.44	123.53	156.54	−0.4	3.25	177.94	148.09	134.92	130.76	157.15	263.60	166.69	249.55
Spain (48)	113.55	−5.1	96.95	86.13	84.15	86.07	−4.1	6.91	119.59	99.53	90.68	87.89	89.74	161.72	113.55	153.74
Sweden (30)	163.74	−1.0	139.80	124.21	121.35	129.87	−0.1	3.17	165.37	137.62	125.39	121.53	129.93	200.28	158.39	189.91
Switzerland (60)	121.55	−0.7	103.78	92.21	90.09	93.82	+0.1	2.28	122.37	101.84	92.79	89.94	93.73	122.37	95.99	94.69
United Kingdom (228)	176.76	−1.8	150.91	134.06	130.99	150.91	+0.8	4.86	179.96	149.76	136.43	132.23	149.76	200.07	165.85	184.22
USA (522)	169.76	−0.4	144.94	128.77	125.82	169.76	−0.4	2.99	170.36	141.77	129.18	125.20	170.36	173.39	160.92	156.17
Europe (780)	142.66	−1.3	121.80	108.21	105.73	113.67	+0.2	4.15	144.53	120.28	109.59	106.22	113.42	156.88	138.52	143.27
Nordic (100)	152.97	−0.2	130.60	116.03	113.37	114.73	+0.5	2.81	153.34	127.61	116.27	112.69	114.13	188.52	147.25	186.68
Pacific Basin (714)	112.71	−0.3	96.23	85.50	83.53	87.45	−0.3	1.38	113.09	94.11	85.75	83.11	87.72	141.97	93.70	142.40
Euro – Pacific (1494)	124.83	−0.8	106.57	94.68	92.51	98.12	−0.1	2.66	125.81	104.70	95.38	92.45	98.18	145.21	113.80	143.09
North America (636)	166.44	−0.4	142.11	126.27	123.38	165.35	−0.4	3.01	167.05	139.02	126.67	122.78	165.96	170.49	158.70	154.82
Europe Ex. UK (552)	121.96	−0.9	104.13	92.53	90.41	93.25	−0.2	3.63	123.12	102.46	93.37	90.50	93.41	132.98	119.63	119.16
Pacific Ex. Japan (242)	153.64	−0.2	131.17	116.56	113.87	138.98	−0.3	3.79	154.02	128.18	116.80	113.20	139.41	175.31	149.00	145.53
World Ex. US (1686)	125.63	−0.8	107.26	95.30	93.11	100.03	−0.1	2.68	126.70	105.44	96.07	93.11	100.10	148.91	116.18	144.58
World Ex. UK (1980)	136.03	−0.5	116.14	103.19	100.83	118.47	−0.3	2.56	136.72	113.78	103.67	100.48	118.83	150.58	127.21	143.90
World Ex. So. Af. (2148)	139.47	−0.6	119.08	105.80	103.37	121.05	−0.2	2.80	140.29	116.75	106.38	103.11	121.28	153.05	130.04	146.74
World Ex. Japan (1736)	157.28	−0.7	134.28	119.31	116.58	143.99	−0.1	3.44	158.46	131.88	120.16	116.47	144.20	165.40	153.20	151.65
The World Index (2208)	139.56	−0.6	119.15	105.86	103.44	121.40	−0.2	2.81	140.46	116.89	106.50	103.23	121.63	153.70	130.66	147.41

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		99 13/32	−1/16	100	97 13/32	8.26	8.24
10pc 1993‡‡		100 13/16xd	—	101	99 1/16	9.91	8.19
12½pc 1993‡‡		103 [illegible]	+1/16	103 [illegible]	100 [illegible]	12.10	7.98
Funding 6pc 1993‡‡		98 [illegible]	—	98 [illegible]	95 [illegible]	6.07	7.35
Treas 13¾pc 1993‡‡		106 [illegible]	−1/16	106 [illegible]	103 [illegible]	12.96	8.00
8½pc 1994		100 [illegible]	−1/16	100 [illegible]	96¼	8.46	8.10
14½pc 1994‡‡		108 [illegible]	−1/16	109⅛	104 [illegible]	13.40	8.25
Exch 13½pc 1994		107⅝xd	−⅛	107⅞	103 [illegible]	12.54	8.24
Treas. 10pc Ln. 1994‡‡		102 [illegible]	−⅛	103 [illegible]	98 [illegible]	9.73	8.18
Exch 12½pc 1994		107 [illegible]	−1/16	107 [illegible]	103 [illegible]	11.65	8.22
Treas 9pc 1994‡‡		101 [illegible]	−1/16	101 [illegible]	96⅝	8.88	8.27
12pc 1995		107 [illegible]	−1/16	107 [illegible]	102 [illegible]	11.16	8.34
Exch 3pc Gas 90–95		92¼xd	—	94 [illegible]	88¼	3.25	5.99
10¼pc 1995		104⅛	−⅛	105	99 [illegible]	9.79	8.32
Treas 12¾pc 1995‡‡		111 [illegible]	−1/16	111 [illegible]	106⅛	11.42	8.43
14pc 1996		115	−1/16	115¼	109 [illegible]	12.17	8.67
9pc 1992–96‡‡		100 [illegible]	−1/16	101⅞	96 [illegible]	8.92	8.71
15¼pc 1996‡‡		119 [illegible]xd	−1/16	120 [illegible]	113 [illegible]	12.71	8.70
Exch 13¼pc 1996‡‡		113 [illegible]	−1/16	114⅛	108	11.65	8.73
Conversion 10pc 1996		104 [illegible]	−1/16	105 [illegible]	98 [illegible]	9.58	8.54
Treas 13¼pc 1997‡‡		115⅞	−1/16	118 [illegible]	109 [illegible]	11.43	8.73
Exch 10½pc 1997		107⅛	−⅛	107 [illegible]	100 [illegible]	9.80	8.53
Treas 8¾pc 1997‡‡		101 [illegible]	−1/16	101 [illegible]	94	8.63	8.41
Five to Fifteen Years							
Exch 15pc 1997		124 [illegible]	−1/16	125 [illegible]	117 [illegible]	12.05	8.90
9¾pc 1998		104⅞	−⅛	105 [illegible]	97 [illegible]	9.30	8.60
Treas 6¾pc 1995–98‡‡		93⅞xd	−⅛	94 [illegible]	86 [illegible]	7.18	8.18
15½pc '98‡‡		129 [illegible]	−1/16	130 [illegible]	123 [illegible]	11.97	9.05
Exch 12pc 1998		114¼	−1/16	114 [illegible]	107 [illegible]	10.58	8.94
Treas 9½pc 1999‡‡		104 [illegible]	−1/16	104 [illegible]	97 [illegible]	9.13	8.66
Exch 12¼pc 1999		116 [illegible]	−1/16	117	109½	10.56	8.95
Treas 10½pc 1999		108 [illegible]	−1/16	108⅞	101 [illegible]	9.71	8.83
Conversion 10¼pc 1999		107⅛	−1/16	107 [illegible]	100 [illegible]	9.57	8.87

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
9pc 2000‡‡		101¼	−11/16	102 [illegible]	94⅝	8.89	8.78
Treas 13pc 2000		120 [illegible]	−[illegible]	121 [illegible]	114 [illegible]	10.86	9.25
10pc 2001		105 [illegible]	−[illegible]	106 [illegible]	99 [illegible]	9.47	9.04
14pc '98–01		121⅛	−¼	121 [illegible]	115 [illegible]	11.56	9.12
9¾pc 2002		104⅞	−[illegible]	106⅞	98⅞	9.36	9.12
10pc 2003		106 [illegible]	−¾	107 [illegible]	100 [illegible]	9.43	9.23
Treas 11½pc 2001–04		112 [illegible]	−⅞	113 [illegible]	107 [illegible]	10.28	9.31
Funding 3½pc '99–04		66¾	−[illegible]	69 [illegible]	59½	5.24	7.91
Conversion 9½pc 2004		101 [illegible]xd	−[illegible]	104 [illegible]	96 [illegible]	9.39	9.36
9½pc 2005		101xd	−[illegible]	104 [illegible]	96 [illegible]	9.41	9.39
Treas 12½pc 2003–05		119 [illegible]	−[illegible]	124⅝	116 [illegible]	10.44	9.61
8pc 2002–06‡‡		88⅞	−[illegible]	93 [illegible]	85½	9.09	9.47
Treas 11¾pc 2003–07		114⅜	−⅞	118 [illegible]	110 [illegible]	10.27	9.56
Treas 8½pc 2007‡‡		92 [illegible]	−[illegible]	97 [illegible]	89 [illegible]	9.17	9.45
13½pc '04–08		127 [illegible]xd	−[illegible]	132 [illegible]	123 [illegible]	10.62	9.62
Over Fifteen Years							
9pc 2008‡‡		96⅞xd	−[illegible]	102 [illegible]	93 [illegible]	9.29	9.41
8pc 2009		86¼	−[illegible]	90 [illegible]	85 [illegible]	9.27	9.42
Conv 9pc Ln 2011‡‡		96 [illegible]	−⅞	102 [illegible]	93 [illegible]	9.37	9.49
Treas 9pc 2012		96 [illegible]	−[illegible]	103 [illegible]	93 [illegible]	9.37	9.47
9pc 2012 A		96 [illegible]	−[illegible]	103 [illegible]	98 [illegible]	9.37	9.48
Treas 5½pc 2008–12‡‡		65 [illegible]	−[illegible]	71 [illegible]	62 [illegible]	8.35	9.33
7¾pc 2012–15‡‡		84 [illegible]	−½	91 [illegible]	81 [illegible]	9.15	9.43
Exch 12pc '13–'17		121⅛	−[illegible]	130 [illegible]	120⅛	9.91	9.67
Treas 8¾pc 2017		93⅞	−½	101 [illegible]	93 [illegible]	8.94	9.48
8¾pc 2017 A‡‡		93 [illegible]	−½	101 [illegible]	93 [illegible]	9.17	9.49
Undated							
Consols 4pc		41 [illegible]	−1/16	44⅞	39⅞	9.62	–
War Loan 3½pc‡‡		38 [illegible]	−1/16	39⅞	35 [illegible]	9.54	–
Conv 3½pc '61 Aft		60 [illegible]	−1/16	63⅜	59	5.82	–
Treas 3pc '66 Aft		31 [illegible]	−⅛	33⅝	29 [illegible]	9.65	–
Consols 2½pc		26 [illegible]xd	−⅛	28¼	24 [illegible]	9.55	–
Treas. 2½pc		26	−⅛	28 [illegible]	24 [illegible]	9.62	–
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	128¼	+⅛	129⅛	122⅞	1.81	3.37
2pc '96	(67.9)	187⅛	—	187½	176 [illegible]	3.81	3.67

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
4⅝pc '98	(136.3)	17⅛	+⅛	17⅛	15 [illegible]	3.70	4.15
2½pc '01	(78.3)	152 [illegible]	−⅛	152 [illegible]	139 [illegible]	3.78	4.06
2½pc '03	(78.8)	148½	−⅛	150⅛	135	3.89	4.08
4⅜pc '04	(135.3)	17⅞	−⅛	18⅛	16⅛	3.90	4.11
2pc '06	(69.5)	151½	−⅛	151⅝	137 [illegible]	3.90	4.12
2½pc '09	(78.8)	138 [illegible]	−⅛	138 [illegible]	124 [illegible]	3.94	4.13
2½pc '11	(74.6)	142 [illegible]	−⅛	142 [illegible]	129 [illegible]	3.96	4.14
2½pc '13	(89.2)	117¼	−⅛	117 [illegible]	106 [illegible]	3.97	4.13
2½pc '16	(81.6)	125	−⅛	125 [illegible]	112⅞	3.97	4.12
2½pc '20	(83.0)	120⅛xd	−⅛	120 [illegible]	107 [illegible]	3.97	4.10
2½pc '24‡‡	(97.7)	99⅞	−⅛	100¼	88⅞	3.94	4.07
4⅛pc '30‡‡	(135.1)	101 [illegible]	−⅛	101 [illegible]	91 [illegible]	3.94	4.07

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1992: 136.3 and for August 1992: 138.9.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		109 [illegible]	+⅛	115 [illegible]	105⅞	10.13	9.91
Asian Dev 10¼pc 2009		104 [illegible]	−⅛	109 [illegible]	100 [illegible]	9.85	9.75
B'ham 11½pc 2012		108	−¼	113½	102¼	10.65	10.54
Ireland Cap 8½pc '10		96½	+½	99¼	88¼	8.81	–
9pc Cap 1996		100½	+1½	100½	90	8.96	–
13pc '97–02		114	—	115½	103⅞	11.40	–
Hydro Quebec 15pc 2011		135 [illegible]	−⅛	141 [illegible]	130⅞	11.08	10.60
Leeds 13½pc 2006		121¼	−¼	125	116¼	11.13	10.56
Liverpool 3½pc Irred		31	−¼	34	30	11.29	–
LCC 3pc '20 Aft		29	−¼	31¼	27	10.34	–
Manchester 11½pc 2007		107¼	−¼	111¼	103¼	10.72	10.53
Met. Wtr. 3pc 'B'		61¼	−¼	62	53	4.90	8.70
N'wide Anglia 3⅞pc 2021		112	−¼	112½	103¼	–	5.26
4¼pc IL 2024		111½	−¼	112	103¼	–	5.02
Utd Mex States 16½pc 2008		124	−¼	126	121½	13.31	12.91

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16¼xd	—	19⅛	14⅝	13,706	2.2
ψAllegheny & W.	366p	-12	376p	226p	198.2	4.8
Amdahl	512p	-9	1158p	509p	575.0	1.1
Amer Cyanamid	32⅛	+⅛	37	26⅝	2,921	3.0
Amer Express	12¼xd	-¼	13⅞	10⅞	5,848	4.8
Amer T & T	24⅞xd	-1/16	25⅞	20⅛	32,665	3.1
Ameritech	40⅛	+1	40⅛	32½	17,588	5.1
BankAmerica	25⅛xd	+⅜	27⅛	19⅛	8,657	3.0
Bankers NY	35⅛xd	-⅛	37⅞	28⅞	2,918	4.5
Bell Atlantic	28⅜	+½	28⅜	23⅛	12,298	5.4
BellSouth	30¼	+¼	32⅞	25	15,093	5.2
ψBethlehem Steel	6⅞xd	-1/16	9⅝	5⅛	583.6	—
Bowater	1105pxd	-8	1579p	905p	398.4	6.3
CPC h	27⅛xd	-¼	29⅞	22⅛	4,146	2.6
ψCadiz Land Inc	128p	—	342p	128p	—	—
California Engy	728p	+27	893p	591p	132.5	—
Chase Manhattan	12⅞xd	—	18½	9⅛	1,897	5.4
Chrysler	12⅞xd	-1/16	19⅞	6¼	3,748	2.7
Citicorp	9⅛xd	+1/16	11⅛	5⅝	3,179	—
Colgate-Palm	33⅞xd	+½	33½	25¼	5,314	2.2
Cont'l Bank	569p	+32	1036p	499p	908.1	3.7
Dana	21⅞xd	-⅛	24½	14⅞	1,005	4.3
Data General	687p	+9	1094p	384p	178.8	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT
z Dividend yield includes a special payment.
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

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FINANCIAL TIMES
Saturday October 3 1992

US economy stagnating and job market flat, say official figures

By Michael Prowse in Washington

Democrats hold their breath as Perot returns ....Page 3
All eyes on Texas ....Page 9
US stocks..................Page 21

THE US economy is stagnating and could be on the brink of a fresh contraction, according to figures released yesterday.

Official figures show the labour market is virtually flat and factory orders are falling sharply.

The US Federal Reserve yesterday held off any interest rate cut to lift the sagging economy, although many analysts believe it may act next week.

The latest bad news on the economy comes at a difficult time for Mr George Bush who is trailing badly in the presidential polls and putting a brave face on the return to the race of Texas billionaire Mr Ross Perot. The Bush camp is saying Mr Clinton has more to lose from Mr Perot's re-entry than the president.

Mr Bush and Mr Clinton agreed this week to face each other in three televised debates in the run-up to the November 3 poll. Mr Perot is also expected to take part and is likely to try to focus on the economy.

The Labour Department yesterday reported a 57,000 decline in non-farm employment last month and revised up its estimate of job losses in August from 83,000 to 128,000. In a normal recovery, monthly employment gains of about 200,000 would be expected.

Separate figures showed an unexpectedly sharp 1.9 per cent plunge in new orders for manufactured goods in August. This was the third decline in four months and followed a 0.9 per cent fall in July.

The unemployment rate edged down to 7.5 per cent against 7.6 per cent in August, allowing the Bush administration to claim the economy was improving slightly. However, the fall in unemployment reflected a shrinkage of the labour force as discouraged workers gave up the search for jobs, rather than increased hiring.

Analysts said the figures – the latest in a series of depressing reports – indicated the economy was weakening again. Employment fell substantially in manufacturing and construction. The average working week also declined, indicating a likely contraction in incomes last month.

Many analysts continue to predict another cut in US interest rates, in spite of the dollar's weakness. This could occur after a meeting of Fed policy-makers next week and might involve a half point cut in the discount rate to 2.5 per cent and a quarter point cut in overnight inter-bank rates to 2.75 per cent.

"The continued weakness of the economy makes another easing move by the Fed almost inevitable," said Mr Jim O'Sullivan, of Wall Street bank, J P Morgan.

Mr Robert Brusca, chief economist at Nikko Securities in New York, forecast a half point cut in the discount rate and warned there was a risk of contraction in this quarter after barely positive growth in the third quarter.

Recent jobs figures have been distorted by a federal summer jobs programme. Excluding the effects of this, non farm employment has declined on average by about 19,000 each month since June. This marks a sharp change from the second quarter, when employment rose modestly.

Sugar says he may take Amstrad private after losses

By Michiyo Nakamoto

MR ALAN SUGAR, chairman and founder of Amstrad, confirmed that he was considering taking his personal computers and consumer electronics company private again as it reported a full-year loss for the first time in its history and passed the final dividend.

Amstrad reported a pre-tax loss of £70.95m, compared with a previous profit of £20.16m as it struggled against savage price cutting in the PC market and shrinking margins in its satellite business.

The results for the year to 30 June, which were worse than expected, show how the Amstrad story, once a stock market sensation, has turned sour.

Mr Sugar has not stated reasons for wanting to re-privatise, but the consensus in the City was that at the current level the shares look undervalued. With an estimated 19p of net cash per share, "the most compelling reason is that it looks to be a very good deal", one analyst said.

Taking the company private would also facilitate any further restructuring and deal-making Mr Sugar might be considering.

The company has been hit by a price war in its market for business PCs and word processors.

Mr Sugar, who is considering an offer to buy, at 30p a share, the shares he does not already own in the company, was not available for comment yesterday.

This offer is less than one-seventh the 233p value the shares peaked at in 1988. Yesterday the shares closed up 1p at 25p.

Turnover tumbled more than 30 per cent to £356.58m from £528.41m and the operating loss before exceptional items came to £39.09m, compared with an operating profit of £40.56m.

The PC market, where it derives about 40 per cent of its revenues, has become a savage battleground where the industry's leading companies are engaged in an unprecedented price war and the shelf life of products is now extremely short.

Amstrad has not been able to shift products quickly and has been forced to dispose of outdated merchandise in order to maintain cash liquidity. The resulting inventory provisions and restructuring costs led to an exceptional charge of £31.86m.

Markets, Weekend II

Manfred Woerner (right), the secretary-general of Nato, and Gen John M Shaliskashvili, the commander of US forces in Europe, at a news conference yesterday following a naval accident in which five Turkish servicemen were killed in the Aegean. Mr Shaliskashvili apologised for the incident in which an aircraft carrier fired two missiles during a Nato exercise. At least one hit the bridge of a Turkish destroyer.

Inquiry promised, Page 3; Nato, Page 2

Fears grow over coal job cuts

By David Lascelles, Resources Editor

MR Michael Heseltine, president of the Board of Trade, met the prime minister, Mr John Major, yesterday, amid growing government worries over the economic effect of massive job cuts in the coal industry.

The forthcoming privatisation of British Coal will be accompanied by around 30,000 job losses and pressure is mounting from local MPs to cushion the impact of what is likely to be the most severe employment cutback yet in a state-owned concern.

Mr Tim Eggar, the energy minister who will handle the privatisation, was also at the meeting.

The shrinkage of British Coal to a commercially viable size will devastate areas of north-east England where there are virtually no other sources of employment.

However, the government's determination to curb public spending in the wake of sterling's devaluation appears to have shut off the alternative of postponing the privatisation or subsidising pits to keep them in operation. There is a possibility of small amounts of EC money to help coal communities.

The government still plans to introduce a British Coal privatisation bill, probably by November, to keep to the timetable of auctioning British Coal next year.

It also intends to press ahead regardless of whether new coal-based electricity contracts are agreed in the coming weeks.

Sterling drops to new low

Continued from Page 1

per cent to 14 per cent as the peseta fell to a close of 71.32 against the D-Mark, very near its ERM floor of 72.62.

In Germany, Mr Schlesinger insisted that German interest rates were not "extraordinarily" high, citing in particular long-term interest rates.

He added that the rate on 10-year government bonds – at between 7.4 and 7.5 per cent – was lower than before German reunification and no more than the average in Germany over the last 25 years.

The Bundesbank president indicated his continuing unhappiness at high levels of German inflation. He also said current money market operations by the Bundesbank were aimed at keeping the German overnight money rate at just under 9 per cent, beneath levels of a month ago.

A reduction in these money market rates could be expected to help reverse the flow of funds into Germany, and so aid economic activity elsewhere in Europe.

None the less the Bundesbank's council's decision to maintain its main credit rates disappointed many investors who had been looking for an easing in monetary policy to help the overall European economy.

The Bundesbank, after being under intense international pressure, last cut rates on September 14, taking the internationally important Lombard rate down by a quarter of a percentage point to 9.50 per cent, and the discount to 8.25 per cent from 8.75 per cent.

Battle lines

Continued from Page 1

eral Democrats' pro-European stance might not prevent them opposing a guillotine. That would put the government's majority of 21 severely at risk.

Government whips are, however, already working on ways to detach the less committed rebels. Late night sittings and perhaps debates through weekends are among the methods they envisage to break the opposition of all but the diehards.

By contrast, the Euro-sceptics claim that while some of the 80 Tory MPs who signed a Commons motion calling for a "fresh start" on Europe after the Danish referendum result have bowed to pressure from the whips, a large proportion are prepared to hold firm.

THE LEX COLUMN

Too reserved by far

How perfectly silly of the Treasury to come up with September reserve figures so obviously designed to confuse. There is not much point in seeking to disguise, after the event, the amount spent to support sterling in the run-up to Black Wednesday's devaluation. The superficial impression from the underlying $7.7bn fall in reserves was that the Bank of England spent considerably less than the supposedly grudging Bundesbank in defence of the pound. Nor does it help the gilts market to massage the intervention figure down. It would simply conclude that less PSBR funding had been tucked away than previously thought.

The City, however, is far from hoodwinked. It can stick to intervention estimates of some £15bn, knowing that the Treasury left itself plenty of room for obfuscation by not declaring the extent of short-term borrowings from the Bundesbank. Admittedly, if these are repaid by purchases of D-marks in the market rather than refinanced with borrowing, the intervention will no longer count as PSBR funding. That creates considerable uncertainty. More generally the authorities' obsession with secrecy hardly instils confidence in future currency management.

The nagging worry that the authorities may actually have something to hide was probably a psychological factor behind sterling's 4.5 pfennig fall. It did not help that the Bundesbank left its interest rates unchanged, although there is a nuance to this disappointment. The German central bank is now stressing its desire to see money market rates below 9 per cent and downplaying M3 growth as a monetary indicator. That could be the first glimmerings of an easier policy. But it will be some time before lower German rates bring much scope for UK easing. Sterling's weakness suggests the authorities must be wary of any unilateral cuts.

Trafalgar House

In the light of Hongkong Land's opportunistic move to grab a 30 per cent stake in Trafalgar this week, investors will doubtless be scratching around for other asset rich companies apparently undervalued by the UK stock market. It is hard to find targets, though, which are dogged by such a rich combination of uncertainties. Bids there will be at the first sniff of real recovery, but it is still much too early for corporate financiers to be licking their lips.

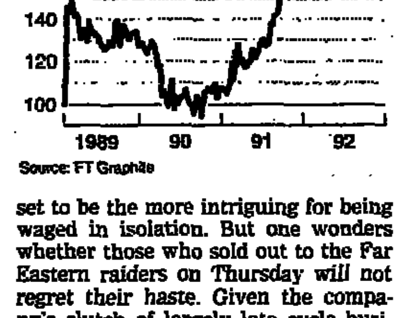
The tussle for Trafalgar thus looks set to be the more intriguing for being waged in isolation. But one wonders whether those who sold out to the Far Eastern raiders on Thursday will not regret their haste. Given the company's clutch of largely late cycle businesses – and the worrying build-up of debt – there is obviously some downside risk. This is surely one reason for Land to stick with a minority stake for the moment. With boardroom representation it will presumably have a clearer idea of what it has bought in 12 months' time. Already, though, one must assume that the Keswicks have a shrewd idea of the sort of value they can extract. Whether this can be done by galvanising existing management, injecting new boardroom blood, or ultimately assuming control via a full takeover is scarcely relevant for shareholders. All are reasons for sitting tight.

Keen students of Trafalgar, meanwhile, will be looking forward to the role that results for the year to September will play in the defence. A temptation must be to limit the dividend cut and take a Barratt-style write down on housing land, clearing the way for earnings growth next year.

FT-SE Index: 2549.7 (-22.6)

NFC

Share price relative to the FT-A All-Share Index



Source: FT Graphite

NFC

Yesterday's £82.5m convertible bond issue by NFC was a rare event indeed. Such issues have been scarce since the Accounting Standards Board decided that convertible liabilities should not be dressed up as equity. The problem is one of constrained supply rather than limited demand. Sterling's weakness may discourage overseas buyers. But with interest rates expected to fall and some uncertainty over the trend in corporate earnings, the combination of a 7¼ per cent fixed income and an option on equity looks, arguably, more tempting than ever.

Without the accounting advantages, though, convertibles have less appeal to many issuing companies. To protect their pre-emption rights, UK institutions have set an effective limit of 5 per cent of equity capital for convertible issues. Only companies of the stature of Hanson can raise really large amounts. Share prices may also have to show a more sustained rally before many companies are tempted to consider rights issues or any other equity-linked finance.

NFC is, perhaps, a special case. Its shares have outperformed throughout the recession. Yet the high proportion of employees on the share register rules out a rights issue. The cash will be used to repay bank debt, but looking ahead will doubtless fund a continuing steady expansion. The 6 per cent fall in the shares yesterday simply reflects switching from the cash stock to the convertible. It can thus be dismissed as simply technical.

Amstrad

With a buy-out bid all but on the table, Mr Alan Sugar certainly has no incentive to paint a rosy picture of trading conditions at Amstrad. Even so, shareholders may have found yesterday's decision to pass the final dividend hard to swallow – all the more so in the light of confirmation that the group holds net cash balances of some 20p a share. One might reflect whether a company on the receiving end of a hostile bid would behave in the same ungenerous manner.

Admittedly the cash position will deteriorate in the run-up to Christmas as stocks are built. But with sales of just 63p a share last year generated from net assets of 46p a share, Amstrad still looks heavily over-capitalised. Surely some of this surplus could be distributed to shareholders.

As for yesterday's full year figures, they are of scant help in predicting the trading outlook or assessing the offer. With inventories cleared of older products, Amstrad may now be able to rebuild margins. Yet there are signs of tougher conditions in areas such as satellite dishes which have hitherto been trading profitably. In the meantime the shares are trading at a discount to both asset value and the likely 30p bid price. The market holds out little hope of extracting improved terms.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)		
Rises		
Asko Prf	400	+ 15
GEHE	408	+ 18
Rosenthal	235	+ 13
Falls		
Fag Kugelfischr	145	− 15
Rheinmetall Brln	236	− 11
Varta	245	− 20
New York ($)		
Falls		
BankAmerica	43 1/8	− 3/4
Chase Manhttn	22 1/8	− 3/8
Citicorp	15 3/4	− 1/4
JWP	3 7/8	− 3 1/8
K-Mart	28 1/8	− 3/8
Porta Systems	12 1/8	− 2 7/8
New York prices at 12.30pm		
Paris (FFrs)		
Rises		
Cogifi	325	+ 20
Skis Rossignol	620	+ 46
Falls		
Accor	540	− 29
Axa	734	− 44
Peugeot	495.1	− 28.9
UAP	357.5	− 17.5
Tokyo (Yen)		
Rises		
Asics	492	+ 52
Chuo Tst Bkg	1770	+ 150
Kaken Pharm	1360	+ 130
Taiyo Sanso	575	+ 80
Falls		
Atsugi Unisia	481	− 39
Bank Yokohama	991	− 89
London (Pence)		
Rises		
Adwest	120	+ 7
Chillington	23	+ 3
City Site Ests	15	+ 3
Cook (Wm)	157	+ 9
Next	105	+ 5
Perkins Foods	57	+ 8
Proteus Intl	385	+ 28
Ramco Oil	51	+ 15
Redland	358	+ 15
Richards plc	55	+ 5
TI Group	298	+ 16
Welsh Water	468	+ 18
Falls		
Assoc Brit Foods	400	− 22
BET	95	− 7
Dolphin Packaging	91	− 9
Euro Disney	820	− 68
Grand Metropolitan	384	− 18
Laird	277	− 18
More O'Ferrall	143	− 15
NFC	252	− 17
Pearson	356	− 17
RTZ (Reg)	601	− 27
Reed Executive	52	− 8
Siebe	341	− 18

World Weather

UK Today: A cloudy start, brightening in Northern Ireland and western Britain. More rain is likely in the east but it should become lighter and more showery. Sunny intervals are likely over eastern Scotland later.

		°C	°F
Ajaccio	F	23	73
Algiers	F	27	81
Amsterdam	F	16	69
Athens	R	21	70
Bahrain	S	32	90
Barcelona	F	22	72
Beijing	F	13	55
Belfast	R	10	50
Belgrade	S	19	66
Berlin	S	16	59
Biarritz	R	16	61
Birmingham	C	14	57
Blackpool	R	13	55
Bombay	F	31	88
Bordeaux	F	18	64
Boulogne	S	18	64
Bristol	Dr	15	59
Brussels	F	17	63
Budapest	S	18	64
Buenos Aires		–	–
Cairo	F	30	86
Cape Town	S	20	68
Cardiff	R	15	59
Chicago †	S	9	48
Cologne	C	11	52
Copenhagen	F	13	55
Corfu	F	23	73
Dallas †	S	11	52
Dublin	F	12	54
Dubrovnik		–	–
Edinburgh	R	12	54
Faro	S	26	79
Florence	F	24	75
Frankfurt	S	15	59
Geneva	R	15	59
Gibraltar	S	23	73
Glasgow	R	13	55
Guernsey	C	14	57
Helsinki	C	5	41
Hong Kong		–	–
Innsbruck	F	17	63
Inverness	R	13	55
Isle of Man	R	10	50
Istanbul	F	20	68
Jersey	S	14	57
Johannesburg	F	23	73
Las Palmas	S	25	77
Leeds	R	12	54
Lisbon	S	25	77
Locarno	R	16	61
London	F	17	63
Los Angeles †	S	17	63
Luxembourg	F	13	55
Madeira	S	24	75
Madrid	S	24	75
Majorca	F	26	79
Malaga	S	25	77
Malta	S	28	82
Manchester	R	13	55
Melbourne	S	14	57
Mexico City		–	–
Miami †	C	26	79
Milan	C	19	66
Montreal †	F	12	54
Moscow	C	7	45
Munich	C	15	59
Nairobi	R	23	73
Naples	F	24	75
Nassau		–	–
Newcastle	R	12	54
New Delhi	S	36	97
New York †	S	12	54
Nice	F	21	70
Nicosia	S	27	81
Oporto	S	21	70
Oslo	S	11	52
Paris	F	17	63
Perth	R	13	55
Prague	F	15	59
Reykjavik	R	10	50
Rhodes	S	24	75
Rio d'Janeiro		–	–
Rome	F	25	77
Salzburg	F	17	63
S'Francisco †	S	14	57
Seoul	S	25	77
Singapore	R	26	79
Stockholm	F	9	48
Strasbourg	F	15	59
Sydney	S	17	63
Tangier	S	26	79
Tel Aviv	S	29	84
Tenerife	F	24	75
Tokyo	C	21	70
Toronto †	C	12	54
Tunis	F	27	81
Valencia	F	26	79
Vancouver †	F	13	55
Venice	F	21	70
Vienna	S	17	63
Warsaw	F	14	57
Washington †	S	8	46
Wellington	R	10	50
Zurich	R	13	55

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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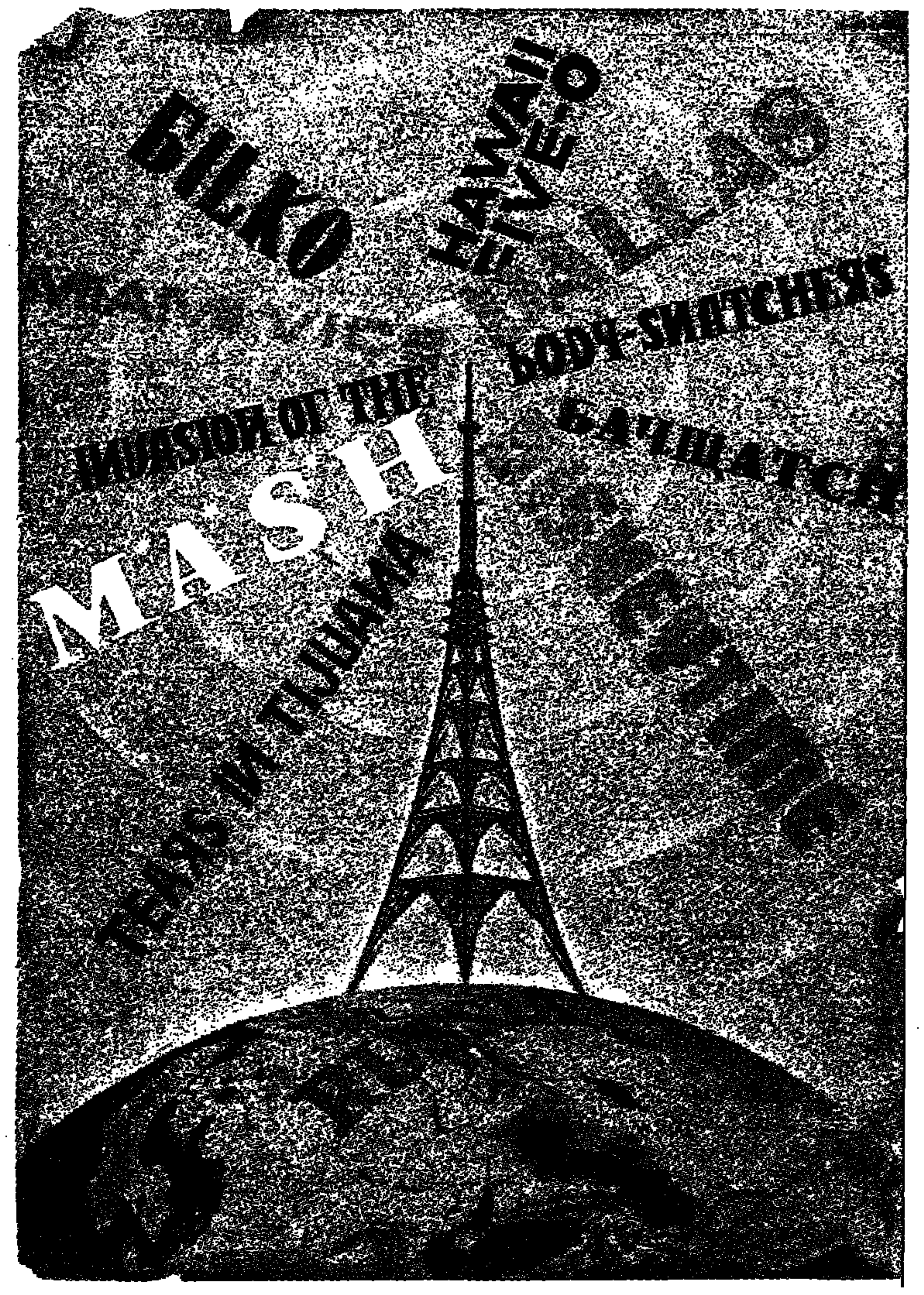
Weekend FT

SECTION II Weekend October 3 / October 4 1992

A revolution on the Russian airwaves

***Ian Hargreaves** visited Moscow's television stations where he found broadcasters who had craved freedom learning that viewers want US game shows and Mexican soaps*



HERE ARE the ratings for Moscow TV: number one, *Field of Dreams*, a game show; number two, *The Rich Also Cry*, a Mexican soap opera; number three, another Mexican soap. Disney cartoons are at four, with news at five, six and seven. Russia, it seems, is already a paid-up member of the western world's armchair society.

"The country is fed up with politicians," says Yegor Yakovlev, the 62-year-old journalist and biographer of Lenin who for the past year has been boss of Ostankino, formerly Gostelradio, monopoly broadcaster to the Soviet Union. "From 1985 to August 1991, any move away from politics would have been against the interest of the audience. That period is over. Politics today takes place in everyday life. The more people realise that, the more normal the country will become."

This is a message you hear constantly in the journalistic salons of Moscow. Those who spent years yearning for the freedom to write without censorship are recognising that the public demands to be entertained as well as hectored. As newspaper cover prices soar in response to inflation, circulations are tumbling and competition intensifying.

It is in television, though, where the struggle is fiercest because in TV the limits of the broadcasting spectrum combine with the medium's power to demand that government shapes its future.

Russia thus finds itself addressing, at fast-forward speed, the three big questions over which the west has disagreed at leisure in the 60 years since the industry was born. What role will the state play in owning TV stations? To what extent will it regulate broadcasters it does not own? And how will TV be financed: through taxation, advertising, a BBC-style licence fee, or a mixture of all three?

In Moscow, there is also a unique fourth question: to what extent can Ostankino, state broadcaster to the Russian empire, continue to function beyond the borders of Russia?

Yakovlev needs no reminding of the heat these questions generate. In July, Ostankino's once impregnable premises were stormed by communists and nationalists protesting about their lack of access to the air-waves. "Our people were dispersed with sticks," says Gennadiy Seleznev, editor in chief of *Pravda*, the former party newspaper where circulation has collapsed from its peak of more than 11m to 1.4m and continues to fall. "All our TV is one-sided: it's fantastically pro-Yeltsin and pro-government. There is no culture of opposition in Russia."

The atmosphere is distinctively post-revolutionary. Those in charge are mostly those who grabbed effectively in or around August last year when the anti-Gorbachev coup collapsed. "We made a big mistake in not demanding more in terms of buildings and equipment," says Sergei Skvortsov, deputy general director of Russian Television, the scruffily housed Moscow station set up by Yeltsin in 1991 as a rival to Gorbachev's Gostelradio.

The breathless months following the coup's defeat have also left large gaps in the legal framework. There is, for example, no copyright law although Professor Mikhail Fedotov, burly director of Yeltsin's intellectual property agency, says he has a draft in his computer and that Russia will be ready to sign the Berne convention on copyright next year. Fedotov also has a pair of handcuffs hanging from his desk lamp as a warning to the pirates. "Russia is no Africa," he bellows.

Western investment advisers say that, without a copyright law, Russia will remain bandit country, shunned by serious western media money and a haven for the country's hundreds of cable TV operators, some no more than a VCR connected through a single apartment block and illicitly showing American movies.

Russia does have a mass media law, judged widely in Moscow to be progressive, although it contains clauses on newspaper registration, privacy and the definition of journalism which some think may yet prove dangerous, particularly since factions inside parliament continue to talk of a committee to "supervise" *the media.*

Parliament has not, however, got round to serious work on a broadcasting law to specify either the governance of the state TV companies or a regulatory framework for independent operators, such as the channel six service proposed as a 50-50 joint venture by Ted Turner (owner of CNN) and local interests.

Through the chaos, however, patterns are emerging. The clear leader is Yakovlev's Ostankino, although many think he has gambled his future foolishly on trying to retain Ostankino's position as a broadcaster across the whole of the former Soviet Union where its relatively polished fare is more popular than the drab, politician-speak nationalism of organisations such as TV Ukraine.

"I am trying to save the company," says Yakovlev. "I dream of preserving a single information space (for the CIS). That is not just my official duty, it's my civil duty, my principal task."

This must rank as one of the more ambitious undertakings in broadcasting history: to maintain a Moscow-based, Russian language TV service across the schismatic vastness of the Commonwealth of Independent States. So far, Yakovlev has obtained provisional agreement to create an interstate joint stock company, but the matter is still to be debated at a CIS summit next month.

What he has not received is money, other than from the Russian government and that part of advertising revenue (10 per cent, he has estimated) which filters through a corruption-prone system which permits producers of individual programmes to sell commercial time around their own slots.

Apart from news and soaps, a typical midweek evening on Ostankino's channel one takes in sport, discussion programmes and films. One popular show, of which Yakovlev is proud, is called *Tema* (Themes) and features a US-style talk show host coaxing a lively studio audience to interrogate suitable victims.

During my visit, the targets were two entrepreneurs, members of what Russians call "the new class." These men declared themselves in favour of "the American style" and fielded questions of innocent savagery, such as: "If you make profits, you take money from others. How can you justify this morally?" and, "You sell a Ford car for 2m roubles. I cannot earn this sum in a lifetime. How can this be right?"

Not all of prime time is this much fun. On a wet Wednesday evening this month, alongside Ostankino, Russian TV's channel two was offering *Opposition* in which the leader of the farmers' union put his view at Gorbachevian length, followed by *The Count of Monte Cristo*. A late-night hit for channel two is the constitutional court's inquisition of the communists.

Moscow TV, funded by the city council, was meanwhile showing dull local current affairs and St Petersburg TV offered a similar brew. This channel is most famous for *600 Seconds*, a programme which gives vent to communist, nationalist, monarchist, even anti-semitic views and refers habitually to Yeltsin's "government of occupation." The authorities tried to kill it off but it was restored after public protest. A fifth channel is an educational service of a gravitas which would delight the ghost of John Reith.

There is vigorous debate about just how politically free the broadcasters are. Alexei Salmin, a leading social scientist at the Gorbachev Foundation, says television offers "a plurality of organised opinions. This reflects the pluralism of political power. TV is independent from everybody, including the government and the parliament, but this is mostly due to the ad hoc nature of the situation."

Ostankino is regarded as dull and *respectable in its news service*, whereas Russian TV gives a large amount of power to the news anchors, who determine running orders and write scripts. In the old days, Gostelradio's evening news was rehearsed in the afternoon to make sure the party bosses were happy with it.

"There is too much opinion of the anchormen when they should just be explaining things," says Vladislav Starkov, editor-in-chief of the booming weekly *Argumenty & Facty* where "real life" journalism attracts 6,000 readers' letters a day.

Inside the TV companies, everyone insists that censorship is gone. Yakovlev points to three silent phones on his desk which connected his predecessor to the party. But inside Yeltsin's entourage, I was told that when the president does a TV spot, the interviewer is selected by the president's men. At Russian TV, parliament still has the right to insist that its proceedings interrupt other programmes.

All the broadcasters say life is getting harder. Russia's budgetary problems have constrained finances and the collapse of the rouble has made foreign material expensive.

In this ferment, a handful of foreigners pick their way. Turner is the most ambitious, with his proposed mix of CNN news, children's programmes, geographical documentaries and films.

"Channel six will help change the selling mentality of Russian television," says Bruce Macdonald, *Moscow boss of the US-based BBDO* advertising and marketing agency. "We are on the edge of a massive development in advertising here. This used to be a country where, to do a deal, you needed to know three people and hold two alcoholic dinners. Now, it's 15 countries and 30,000 enterprises. Western advertisers have the chance to block up the next generation's mentality on a TV system which is, by western standards, uncluttered and cheap."

In recent months, the price of a prime time minute has fallen from $60,000 to $6,000, which represents perhaps five cents per 1,000 viewers compared with more than $5 in the US. Among companies which have joined the fray are Pepsi, Wrigley, Rank Xerox and Avon.

Macdonald is more aware than most of the system's frustrations: the failure to understand audience targeting, the fact that TV companies do not log their advertising output, or publish advance schedules, or research the ratings properly. "There are one hell of a lot of *exclusive agents," he warns.* "Their deals are exclusive till tomorrow lunchtime, and the money can easily end up in a Swiss bank account rather than at Ostankino."

Thus, as Russian TV points its cameras at society, what viewers see is an exotic pluralism let loose around a staid, statist formalism – *just as Moscow's vast roads and* grave institutional buildings have become a backdrop for a teeming kerbside market in which everyone has something to sell.

"Commercial TV development so far has not been good," says Yakovlev. "A lot of it is in bad taste and of low quality, reflecting the desire of those running it to make as much money as possible as quickly as possible. Perhaps such TV equates with our society now."

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The Long View / **Barry Riley**

Share prices enjoy floating

IT HAS been an up-and-down year for the UK equity market but the FT-SE 100 Index passed the three-quarters mark this week showing a net capital gain of about 2 per cent since the beginning of January, and a total return including gross dividends of some 6 per cent.

That compares well with a nine-month return of about zero on overseas equities but not so impressively with perhaps 9 per cent on long-dated gilt-edged and nearly 8 per cent on risk-free wholesale money market deposits.

In spite of the dreary overall performance of the stock market this year, and indeed over the past five years, there is still a formidable marketing structure in Britain geared to promoting equity-based products such as with-profits life insurance contracts, unit trusts and personal equity plans. And company pension schemes continue to bet as heavily as ever on an equity market revival.

In these circumstances, given the right kind of signal, the market will surge. Two such green lights have flashed this year, when the Conservatives unexpectedly won the election in April and when sterling tumbled out of the ERM last month. Curiously, both of these rallies have totalled 14.9 per cent in terms of the Footsie. In between, however, the grim underlying reality of economic recession and corporate distress has dragged share prices back.

The City of London's hordes of analysts have repeatedly failed to get to grips with the seriousness of the industrial situation. The big brokers, naturally, are at the very forefront of the equity promotion effort. It is hard for them ever to be bearish, especially when it is clear that on any plausible excuse the market will suddenly leap ahead by 10 or 15 per cent.

But some major brokers were suggesting with quite amazing optimism at the end of last year that company earnings per share would rocket by 20 or 25 per cent this year and dividends would continue to rise by 5 per cent or so.

In fact profit expectations are continuing to be deflated – there was a big downgrade by ICI's official corporate brokers this week, for instance. And although devaluation will boost the sterling value of overseas profits it is the dollar, which is the key currency here; even last night sterling was down by no more than 8 per cent against the dollar since December 31.

Meanwhile dividends on the All-Share Index are at present showing a year-on-year fall of 1 per cent and it was worrying to see a mainstream company like Sears slashing its payout by more than a third this week. A whole swathe of big British companies may decide that their dividends are out of line with their reasonable expectations for earnings.

Conceivably, dividends overall could drop significantly in 1993. Certainly forecasts by some analysts of dividend *growth* of 5 per cent, or even more, seem quite unrealistic.

The continuing upward drift in gilt-edged yields, now approaching 9¼ per cent and heading for 10 per cent according to several leading bond broking houses, is also a threat.

When the UK entered the ERM two years ago share prices initially soared because of expectations that gilt yields would fall and therefore equity yields would fall too (that is, share prices would rise) because in recent history the ratio of the two yields had never fallen below 2. In fact the ERM was very negative for company profits and dividends, which was eventually recognised in a decline in the yield ratio to little more than 1.7 at one point this summer.

With our exit from the ERM the reverse logic applies. Share prices have justifiably jumped, because the overseas operations and exports of London-quoted companies are worth more in terms of sterling. On the other hand, rising bond yields pose a threat.

For the time being the yield ratio can take the strain (it has risen to 1.96). But a combination of a 10 per cent gilt yield and a prospective equity dividend yield below the current 4.8 per cent could begin to make the lights flash red.

For the time being, though, the market could benefit from some positive factors. It is possible (if far from certain, given sterling's continuing weakness) that short-term interest rates could fall further. This could encourage private investors to switch from building society accounts into the stock market, in a small-scale British version of the American phenomenon that has kept Wall Street so high this year.

Institutional investors could also be flush with cash. There is a dearth of new equity issues, and the government has financed much of its borrowing requirement out of the reserves and through foreign currency borrowing. There is a window opening which might allow share prices to go higher.

I am much more worried about next year, however. A modest devaluation-based economic revival could begin, putting pressure on sterling and interest rates. The cyclical forces which have been favouring the equity market may begin to act against it.

In these circumstances the private sector may begin to be "crowded out": the government may well need to sell £40bn or more of gilts next year, and although foreigners were buying up half the gilt issues while the UK was in the ERM they are unlikely to play more than an occasional speculative role while sterling floats.

There are the makings of big trouble here, and the government has to realise that a public sector deficit that was financeable within the ERM might not be tolerable outside. True, at the same time there will be much more scope to tighten fiscal policy and relax monetary policy, reducing the torrent of gilts and taking some of the pressure off the stock market.

Yet there cannot be much confidence in this government's ability to conceive and implement tricky shifts of strategy.

London Markets

A fine line between hope and fear

By Peter Martin, Financial Editor

THESE DAYS, you have to fight your way to a fax machine at the FT. Other newspapers get their stories by lying amid the bougainvillea above Fergie's holiday hideaway, or bugging Antonia de Sancha's boudoir. Here we wait for people to fax us their recriminations. So the machines are constantly surrounded by a crowd of elbowing journalists, each trying to grab the next scoop as it drops, curled and semi-legible, on to the floor.

Last in the queue, the London Markets column could only lay its hands on other people's rejects: a motley collection of wheezes for getting Britain back into the ERM, resignation letters from ministers, hastily crossed-out drafts of Tory conference speeches – all with zero intellectual content. Only one missive, apparently from Germany, appeared worth reprinting:-

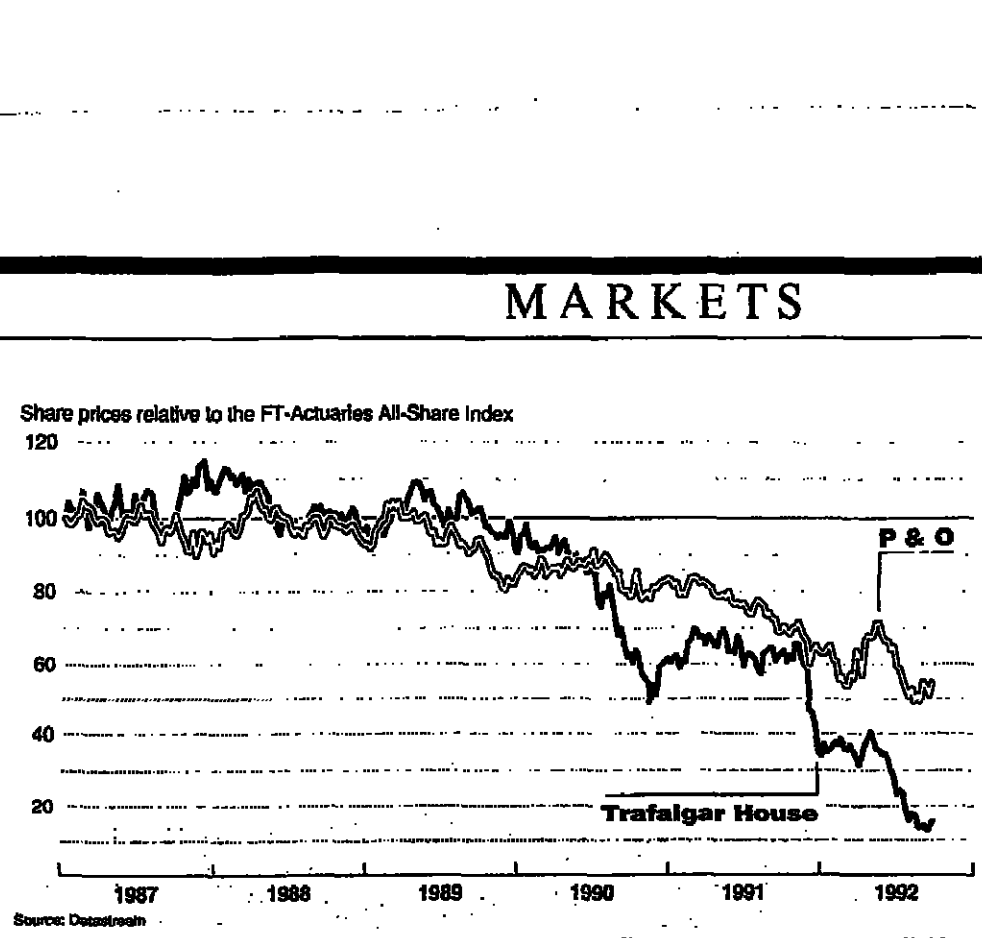
BBK +49-69-56#&(*

. . . fullest possible support. So there.

And another thing. It's all very well Mr Lamont and his colleagues talking as if the UK can now have a made-in-Britain economic policy. But only countries that dominate their economic zone, trade very little, or have a record of long-term monetary stability can truly achieve policy independence. The UK fulfils none of these conditions. Which means that like it or not, the UK will have to pay attention to economic conditions abroad, as manifested through the exchange rate.

The working papers that the British treasury is even now preparing, with titles such as "Monetary Policy in a Floating World", are thus, I regret to say, worthless. What will happen, I confidently predict, is that the government will watch the pound sliding, initially with nonchalance, then with concern and finally with panic. It will find itself forced to take steps to stop the pound falling further, if only by giving up the interest rate cuts it had previously hoped for.

Share prices relative to the FT-Actuaries All-Share Index



Source: Datastream

The UK will thus have exchanged a "hard" exchange rate target for a "soft" one; large-scale intervention will be unnecessary but in other respects the disciplines will be the same. The chancellor, whoever he may be, will find himself tied just as closely as before to the economic policy of his principal trading partners. The only difference is that he will find himself doing so at a rate of DM 2.40 to the pound (or lower!) instead of DM 2.95.

Turning now to the comments on the matter in the popular British press, I note with satisfaction the leading article in the Sun dated Friday October 2, giving full support to the policy of the Bundesbank. "Mr Major dare not get tough with the Germans," the Sun wrote, "because he knows they are right." *Stimmt.*

The stock market may not have the same access to disgruntled policymakers as the FT, but it keeps abreast of the Sun. As this line of thinking sank in during the week, the market sagged. The FT-SE 100 index closed at 2549.7, down 51.3 on the week. It is now 11 per cent above its pre-devaluation intra-day low of 2,291.3; perhaps more significantly, it is roughly half-way between this year's high of over 2,700 in May and the 2,300 or so at which the index was trading in early September before the currency crisis.

That mid-point reflects a neat balance of hopes and fears: hopes that the devaluation has freed the corporate sector from the slide into depression that continued membership of the ERM seemed to imply; fears that even so, the domestic and international economic climate is so unfavourable that the recovery implicit in the May level of the index is still far off.

One side-effect of the government's failed attempt to prop up the pound could help move the market out of that range, argues Paul Walton, strategist at James Capel. The government's heavy international borrowing, part of its sterling support operations, has raised much of the money it would otherwise have had to get from the gilt market. Institutional investors, who had previously earmarked a big chunk of their next six months' £16bn or so of cash flow for gilts, will find themselves free to put most of it into equities.

With stronger economic growth next year, a slightly higher yield ratio, and a greater likelihood that wavering finance directors will now hold their dividends, that means that the market could move to a prospective dividend yield of just over 4 per cent from its current level of 5 per cent – which implies a 30 per cent rise in share prices.

Before you rejoice, consider the other case: sterling continues to weaken, the government is forced to keep interest rates relatively high, consumer confidence is unsettled by the currency crisis, companies keep on sacking workers, profits stay weak, the world economic outlook darkens. Even if investors give only a minority weighting to this possibility, it will help keep their headier expectations under control.

A similar air of reined-in expectations was evident in the market's reaction to Hongkong Land's purchase of 15 per cent of Trafalgar House in a dawn raid on Thursday. At first, the shares jumped 29p to close at 89½p. By Friday, though, investors had had a chance to digest the fact that Hongkong Land's announced intention to go to just under 30 per cent and stick there would prevent it, under Takeover Panel rules, from launching a full bid for a year. The shares fell back, closing on Friday at 85½p – 51 per cent higher than they were a week ago, but still well below the 160p of May.

As the chart shows, the performance of Trafalgar shares stands in marked contrast with that of P&O shares. Hongkong Land clearly feels there is scope for recouping some of the £2bn value the stock market attributed to the company as recently as 1989; it may find itself needing Oriental supplies of patience to achieve them.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2549.7	-51.3	2737.8	2281.0	Uncertain interest rate prospects
Airtours	253	+17	337	172	Pickfords purchase/Hoare positive
BET	95	-22	208	91	SNC downgrading
Barclays	348	-26	410	274	Bad debt/property worries
British Aerospace	134	+9	379	100	Analysts meeting/recovery hopes
Courtaulds	450	-67	616	371	Brokers' downgrades
Forte	152	+12	262	112	Maintained dividend
Grand Metropolitan	384	-65	518	369	Brokers' downgrades
Hepworth	225	-71	437	220	James Capel downgrade
Hogg Group	128	+11	188	104	Maintains interim dividend
ICI	1099	-109	1410	1018	Hoare Govett/brokers downgrade
Kenwood Appliances	216	-71	290	209	Albert E Sharp downgrade
Kingfisher	500	-35	582	414	Chairman's cautious statement
Redland	358	-19	565	310½	Gloomy outlook
Trafalgar House	85½	+29	165	39	HK Land acquires stake

Serious Money

The best policy? Never surrender

By John Authers

IN THE field of personal finance, "never surrender" is not a bad motto, although it might often be impractical. It is most relevant, though, if you are holding on to a long-term with-profits life policy. The companies offering them have set them up on the assumption that they will last a fixed long term.

If you surrender early, you have broken the original contract and put their calculations awry. Life companies use this as a justification for offering you worse value than you would receive if you waited until maturity. So, the rule until now has always been – don't surrender.

Sadly, as the *Weekend FT* has reported extensively, many savers have been forced to surrender their policies over the past few years. In 1991 – according to a now-notorious survey by the Securities and Investments Board, produced at the end of last year – 37 per cent of unit-linked life policies and 23 per cent of with-profits policies were terminated within a year of being started.

This was amplified last week by another survey, for *Money Management*. This showed that across a range of the 11 companies which were prepared to admit their figures, 16 per cent of 25-year with-profits policies started in 1990 had been surrendered already.

These figures do, however, tell as much about the state of the housing market and the economy as they do about the unsuitability of life policies. Rising unemployment, falling house prices and rising home repossessions have forced many young families to surrender their policies in an attempt to get some cash. A survey, by the Watford Group of large life insurers, found divorce was another big factor.

In a last resort like this, it might be necessary to release the cash from an endowment. But that does not mean that you should surrender a policy.

Surrender values are bad. Earlier this year, *Money Marketing* examined surrender values on offer for 25-year policies after 24 years. While some offices were offering as much as 90 per cent of the final maturity value, several offered much worse rates. Commercial Union, the present top payer when policies reach maturity, paid out only 61 per cent after 24 years.

The value you receive in these circumstances is worked out as a totally separate calculation from the accrual of bonuses. Thus, surrender is not a way to "lock in" to present high bonuses as some people seem, unfortunately, to have assumed. But penal surrender values do make it possible for marketmakers to buy a policy and sell it to someone else to make a profit.

'The demand for unmatured endowments is undeniable'

Therefore, even if you are desperate for cash, you should not surrender an endowment until you have been given a quote for it from a marketmaker. How much you can gain this way varies, depending on the life office and the length of the policy.

One marketmaker, Policy Portfolio, cites an Equity & Law policy started in September 1980 with premiums of £18.79; this would have a surrender value of £3,346 now but Policy Portfolio would pay £3,900 for it. A Scottish Amicable 20-year policy taken out in November 1980 with £31 premiums would have a surrender value of £6,913, and a market price of £8,000.

Marketmakers agree that you can gain an average of between 10 and 20 per cent by selling your policy rather than accepting limply what the life office offers you. A few laudable life offices pay a surrender value which the market cannot better – but they are in the minority.

Bonus rates on maturity are now under severe pressure and final pay-outs from these policies are likely to come down. Does this mean that those who are not cash-starved should still get rid of their endowment, as an investment decision? Definitely not: that is shown by the fact that demand exists to buy policies at a higher price than you can sell them for.

As Sammy Alexander, of Policy Portfolio, puts it: "If it is worthwhile for the endowment holder to sell, that means it is not worthwhile for the investor to purchase the policy. We exist only because there is demand from purchasers."

David Beale, of Beale Dobie, echoes this point: "We buy these policies because we think they are good investments at the price at which we are buying." In effect, his advice to someone who was selling, and did not need to, would be: "Don't."

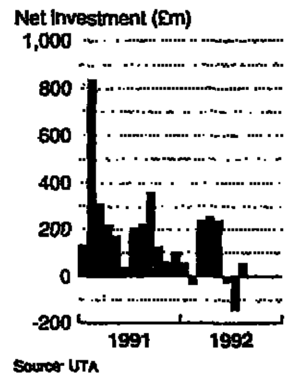
The strength of demand for unmatured endowments is undeniable. Earlier this year, Kleinwort Benson even launched an entire investment trust investing only in such policies. Unlike virtually any other launch of shares this year, it was oversubscribed. Plainly, many people in the market still think this is a good investment, even though bonus rates at present are unrealistic, and are likely to come down.

Regular readers of the *Weekend FT* will know that I am not a fan of with-profits endowment policies; there seem to be better investments on offer for those taking out a mortgage. But if you have already started paying the premiums, and can afford to carry on, then do. And never surrender!

AT A GLANCE

Unit trusts

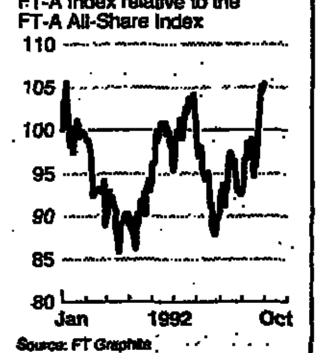
Net investment (£m)



Source: UTA

Insurance Composite

FT-A Index relative to the FT-A All-Share Index



Source: FT Graphite

Unit trust sales improve

Unit trust business recovered slightly in August, before the sterling crisis, with a net inflow of £56m following net outflows in June and July. The Unit Trust Association interpreted the rise as showing that private investors' confidence in the UK stock market had recovered. The net inflow to UK Growth funds from private investors was £73m, while £59m came from institutions. Other UK sectors also recorded strong inflows.

General insurers recover

General insurance has never been immune to risk, as the performance of the sector so far this year bears out. However, the half-year results announced by many composite insurers have done a lot to improve market sentiment. In spite of the problems with Municipal Mutual, they show that most of the companies are moving back in profit as increases in premiums feed through into results. **Troubles at MMI: Page IV**

Income replacement policy launch

Standard Life is to join forces with US-based disability insurer UNUM to launch a permanent health insurance policy, planned for November 16. The new policy will pay out 75 per cent of salary, minus state benefits, after claimants have been off work for either 13 or 26 weeks, depending on the deferral period selected at outset. The definition of disability will relate to the claimant's "own" occupation – many other plans on the market require the claimant to be rendered incapable of pursuing any occupation before they will pay out. Standard Life will also introduce non-smoker rates on its term assurance.

Gartmore cuts bond fund charges

Gartmore, the investment management group, reduced charges on its International Fixed Interest Fund this week. The initial charge has been cut from 5 per of the offer price to 3.5 per cent and the annual management charge reduced from 1 per cent to 0.75 per cent of the value of the fund. The move follows other cuts by Gartmore this year: in May it eliminated the initial charge on its UK Index Fund and in July reduced start-up charges on its Peps, while introducing exit charges.

Cut-price offer from Fleming

Discount bonanza time continues, this time with an offer from Fleming Investment Trust Management, the investment trust manager. It is waiving its 1 per cent initial charge for private investors into its Overseas Investment Trust; the waiver is for lump sum payments through the Fleming Share Plan. Fleming is also offering to swap UK quoted shares for shares in the Overseas Investment Trust free of charge. Both offers end on November 31. Further details on 071-920-0539.

Maxwell victims win payout

The Maxwell Pensioners Trust sent its first payments to victims of the Maxwell pension fraud yesterday. Forty pensioners were sent a total of £16,000 in backdated payments. Sir John Cuckney, chairman, said: "For the most part these pensioners are very elderly, most of them are in their eighties." The trust, set up by Peter Lilley, social security secretary, in June has raised almost £5.75m in donations since fund raising began in July.

Smaller companies falter

The brief rally in the share prices of smaller companies faltered this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.93 per cent to 1068.68 over the seven days to Thursday, October 1. The County Index fell by 0.94 per cent to 829.18 over the six days to Wednesday, September 30.

Wall Street

Searching for a ray of bad news

"SOMETHING in it for everyone," was how the pundits described yesterday's September employment report. By that they meant there was something in the figures – a decline in the national unemployment rate from 7.6 per cent to 7.5 per cent and a drop of 57,000 in non-farm payrolls – for both the Democrats and the Republicans to exploit politically.

President George Bush can point to the fall in the jobless rate, and the fact the payrolls would have been higher but for the one-off impact of Hurricane Andrew and summer jobs programmes, as evidence that economic conditions are improving, albeit slowly.

Governor Bill Clinton, Bush's rival for the presidency, can argue that with payrolls, average work week levels and average hourly earnings still falling, and the national jobless rate two points above its levels of four years ago, the Republicans have failed miserably in their stewardship of the economy.

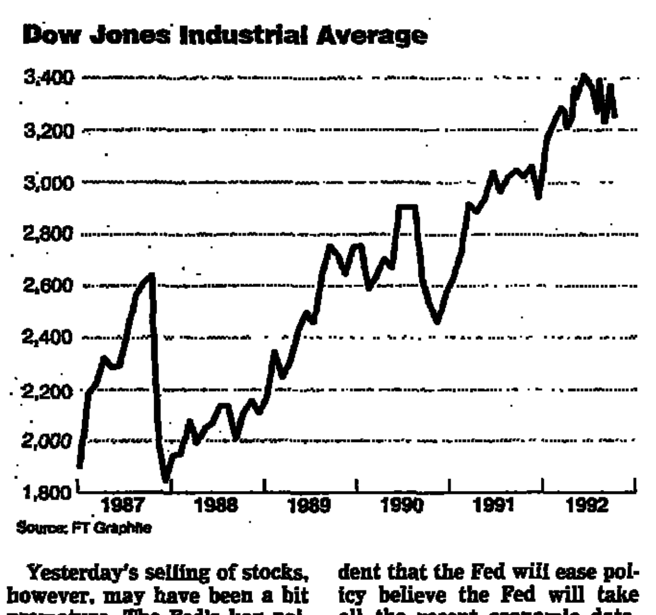
While the politicians were busy working out how to put the most favourable spin on the jobs figures, investors were giving them (the figures, not the politicians) an unequivocal thumbs-down. The Dow Jones Industrial Average was 40 points lower by midday as the markets judged the employment report in terms of what it meant for monetary policy.

Before the report was released, bond prices had been rising on hopes that a bad employment number would prompt another interest rate cut from the Federal Reserve. Although stock prices did not join the bond rally, equity investors shared the same hopes.

The fact that the 57,000 drop in payrolls was about half what analysts had been forecasting, and that the decline in the unemployment rate was not anticipated at all, was seen to have dashed those hopes, however.

It was this thinking that sparked the selling on stock markets yesterday. Equity investors never like bad economic news, except when it leads to an easing of credit conditions. The jobs news just was not bad enough to warrant a policy ease, or so investors judged.

Dow Jones Industrial Average



Source: FT Graphite

Yesterday's selling of stocks, however, may have been a bit premature. The Fed's key policy-making body, the Open Market Committee, assembles on Tuesday for its monthly review of economic conditions, and few on Wall Street are ruling out the possibility that the FOMC will vote at the meeting to cut rates for the 25th time in the last two years.

Analysts who remain confident that the Fed will ease policy believe the Fed will take all the recent economic data, and not just the headline-grabbing employment report, into account before acting.

In the past week alone there has been bad news on construction spending (down 0.8 per cent in August), consumer confidence (the Conference Board's index of confidence fell for the third straight month in September), new home sales (down 6.1 per cent in August in spite of very low mortgage rates) and from the National Association of Purchasing Management, whose index fell below 50 last month, an indication that the industrial sector is again contracting after a long period of modest expansion.

Against such a gloomy background, it is no surprise that stock prices have gone nowhere in recent months. During the just-ended third quarter the Dow fell 1.4 per cent and the Standard & Poor's 500 gained 2.3 per cent. Those performances would probably have been worse were it not for the continued flood of cash into stocks. Yields on comparable fixed-income assets remain extremely low, so despite a sluggish market investors are switching into equities in search of higher returns.

The story of the week among individual stocks was Sears. The retailing and financial services giant finally took the step that shareholders and analysts have been recommending for years – the company announced it was selling the bulk of its financial services interests in a demerger that is expected to raise more than $3bn in cash, money which will go towards reducing Sears' debt load.

Sears stock climbed sharply on the news, and the restructuring was initially well received by shareholders who had long argued that the poor performance of the retailing side was depressing the market valuation of the company's much more successful financial services businesses.

By the end of the week, however, Sears shares had given up nearly half of their initial gains on concern that the plan to spin-off a large part of the financial services operations would not raise enough money to make the retailing business a significantly stronger competitor.

Patrick Harverson

Monday	3276.26	+ 25.94
Tuesday	3266.80	– 09.46
Wednesday	3271.66	+ 04.86
Thursday	3254.37	– 17.29
Friday		

The Bottom Line

The excitement of being safe and boring

SHAREHOLDERS in the water and electricity companies might be forgiven for being startled – and for wondering what to do now.

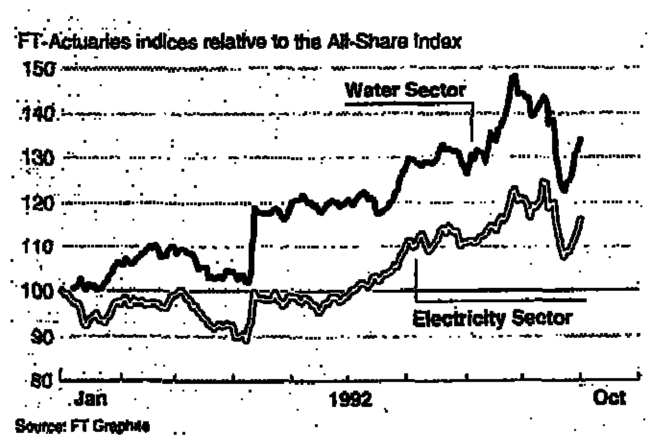
Their apparently "safe and boring" investments have outperformed the stock market steadily since the general election in April – water by 50 per cent by the end of August and electricity by 25 per cent. But after sterling's exit from the ERM they have abruptly lost half that relative gain.

This week's call for lower water charges from Ofwat, the water industry regulator, also reminded the market that utilities remain highly regulated. The case for holding the stocks – which used to be relatively straightforward – has become more complex.

Many small shareholders of utilities picked up the stock in the privatisations, water in 1989 and electricity in 1990. The conventional wisdom for holding them is that they are "safe" investments, quasi-bonds. They pay a relatively high yield to compensate for relatively modest growth prospects. But with little competition entering their markets, they generate profits and dividends which are less sensitive to the economic cycle than many industries. These qualities have come to the fore in the recession.

However that picture is complicated by several factors. Political risk disappeared with the general election result. But both water and the regional electricity companies remain highly regulated by watchdogs which have proved they are not shy of intervening. Last week Ofwat told the water companies that they must hold back the increase in next year's prices by two percentage points, and a wider review of industry pricing is due in 1994.

FT-Actuaries indices relative to the All-Share Index



Source: FT Graphite

Water and electricity also face the threat of new environmental legislation, both from Britain and the EC. The electricity industry has spent nearly £1bn on limiting sulphur emissions, and water companies are in the middle of an investment programme of up to £42bn to meet EC directives. But many stockbrokers are arguing that the attractions of the stocks still outweigh the disadvantages, particularly if the market's first hopes that the ERM exit meant a fast economic recovery prove too optimistic.

The lack of overseas profits for both water and electricity means they are less affected than many by the depreciation of sterling. As their annual price rises are linked to inflation under the regulatory formula, they may be able to protect margins better than other companies, provided they control costs.

However, their greatest attraction remains the dividend growth as dividends for many companies on the stock market are likely to grow more slowly than they did in the 1980s. Analysts expect the water companies to pay out increases above the rate of inflation of 4 to 5 per cent a year until the 1995 industry review, and 2 to 3 per cent afterwards. For the electricity companies, expectations are 6 to 8 per cent real growth until 1995, and 4 to 5 per cent thereafter.

Brokers are at present divided in recommending whether to sell and take the profits that still remain, or to buy more, taking advantage of the recent weakness.

According to Peter Hyde, analyst at stockbrokers Kleinwort Benson Securities, last week's intervention by Ofwat "was a reminder that regulation is tightening" but he feels that many investors are still likely to be tempted by the security and defensive qualities of the water stocks.

In the present day-by-day economic turbulence there is a good case for holding on, at least until the macroeconomic picture becomes clearer and the rival attractions of faster-growing companies can be assessed.

Bronwen Maddox

Bonds turmoil batters the fixed-rate savings market

John Authers assesses the impact for private investors

BONDS TURNED upside-down last month. Events in this complicated market often seem obscure compared with the impact of currencies and equities. But Britain's exit from the European exchange rate mechanism will have profound and long-lasting effects on the fixed rates which investors can receive.

Two products – annuities and guaranteed income bonds – are almost wholly reliant on the gilts market. After the last two weeks, the rates you can get from both these products could be radically different. In future, it might be better to look for security from a new range of products which rely on complex derivatives, like futures and options.

So what has happened to gilts? As the graph shows, there is a steady long-term relationship between the yields on long-dated and short-dated gilts, and the bank base rate. Short-dated gilts (with five years or less until they mature) have been priced so that they offer a higher yield than long-dated gilts (with 15 years or more before the government buys them back).

Yields on both have fallen generally in line with base rates. But once sterling was devalued, "long" yields overtook those of shorts, for the first time in years.

This was because of inflation expectations. Marketeers thought inflation would increase and erode the value of long-dated bonds by the time they matured. So they cut the price accordingly. That meant the yield, or income, available from them increased as a proportion of their price.

Meanwhile, the prices of short-dated gilts rose, because base rates had been reduced. Cash deposit alternatives were less attractive, so dealers were prepared to pay more for short-dated gilts. Inflation is less important when pricing these gilts because there is so little time before they mature.

Days earlier, the market had anticipated low inflation and high base rates. Suddenly, dealers acted on the assumption of the opposite – and the impact was soon to be felt on products available to savers.

■ Annuities

Annuities guarantee to pay you a fixed annual sum until you die. You normally buy them with the proceeds of a pension fund, but they can also make sense for people a few years into their retirement who have more savings which they want to convert into income – the tax position will be better than if they are bought as part of a pension. As a rule it is best to wait before taking an annuity because rates improve as you get older.

The graph below, prepared by Sage Financial Consultants, shows annuities come down in response to gilt yields, but not necessarily in response to base rate cuts. So pensioners might actually do well out of the turmoil in gilts.

Brokers report that annuity rates have not increased in the last two weeks, but neither have they declined. If long-dated yields stay at their current levels, as many analysts are predicting, then annuity rates should increase.

People disagree about this. William Burrows, of Sage, says: "Annuity rates are going down. There's a lot of uncertainty, but the pressure is without doubt downwards."

Clive Scott-Hopkins, of Towry Law, thinks it best for investors to lock into annuities now. With base rates falling and annuities steady, he can see a window of opportunity.

But a Norex Pensions adviser says: "Anyone who agrees that inflation is likely to increase over the coming year need not rush to buy an annuity – unless they want an RPI linked annuity."

The income from index-linked annuities increases with inflation. Their initial income is lower and they invest mostly in index-linked gilts. Prices for these have risen because of worries about inflation, so index-linked annuities could soon be dearer. It pays to shop around. Sage says the difference between the best and worst rates on offer can be as much as 15 per cent.

■ Guaranteed Capital Bonds

Where are guaranteed returns to be found now? The answer could be from a new product which has been made possible by advances in the derivatives market.

Derivatives – futures and options – have a reputation for being risky, and if you deal in them on your own, they probably are. But they exist as a risk limitation instrument for large investors and dealers. For example, index futures allow you to protect against the risk of the FT index failing to reach a particular level.

Advances in the sophistication of the market, coupled with horror on the part of investors as they watched the market turmoil last month, have led to a flood of new products for private investors.

The basic concept is to allow you to freeze an advance in a market index over a certain period. Once this rise has been awarded, it cannot be taken away. Meanwhile, the funds guarantee that they will not go down in value. This allows you equity "upside", without risking losing money.

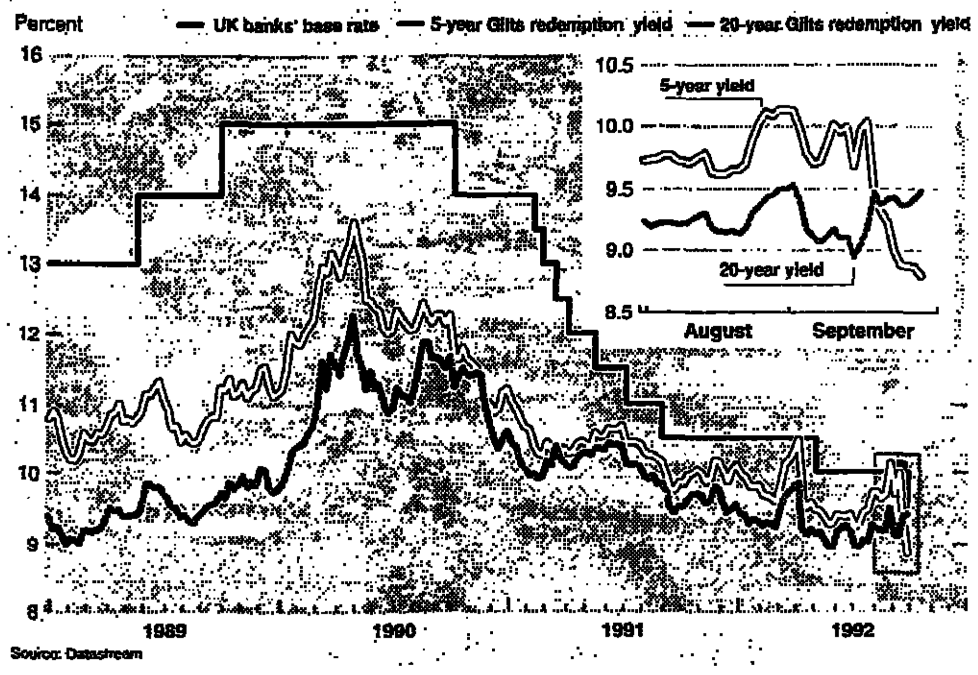
This sounds like a modernised version of "with-profits" investments, which also aim to offer a guarantee against falls in value, combined with steady growth which once awarded cannot be taken away. But with-profits bonds have bonuses and surrender values set at the discretion of actuaries, and can fall in value. The charm of guaranteed capital bonds is that you can find out the current value of the investment just by looking up the index.

Current offers come from Laurentian Life, Foreign & Colonial, Dunbar Bank, Citibank Life and Scottish Provident. It is important to take financial advice on these products before investing as their flexibility varies – some lock you in for five years while others allow earlier withdrawals – and some are liable to basic rate tax.

What of the future? According to Robert Benson, of Midland Montagu, who has helped design several of the products, the next development will be to introduce guaranteed pension funds of this kind and to allow regular premium savings.

After that, he suggests that it could be possible to offer index-linking, links to more than one index, or currency protection.

The bond market turned upside down



Source: Datastream

Gibs look rocky

THE RATES on offer for guaranteed income bonds (Gibs) show just how confused people have been, writes John Authers.

On September 16 – Black Wednesday – one company, American Life, even assumed that base rates were going to stay at 12 per cent and raised rates. This led to the strange pattern shown in the accompanying graph for September, compiled by Baronworth Investment Services.

The actuaries who control the rates on offer from Gibs took a while to get over their confusion. The graph shows only the best rates on offer. Some firms offered much less. At the beginning of this week it was possible to get 7 per cent, guaranteed over one year, but the worst rate was only 5.1. Over five years, the gap is from 8 to 6.8 per cent. On Black Wednesday, one-year rates varied from 9.3 to 6.15 per cent.

So, perhaps the most important lesson from the past fortnight is that if you want to buy a Gib, you should do so only through an independent adviser who can pick the best rate.

The reliance of Gibs on short-dated bond yields is such, however, that an adviser should probably not sell you one at all. Most are based on low-risk corporate bonds or fixed term building society bonds, with sizeable holdings in short-dated gilts.

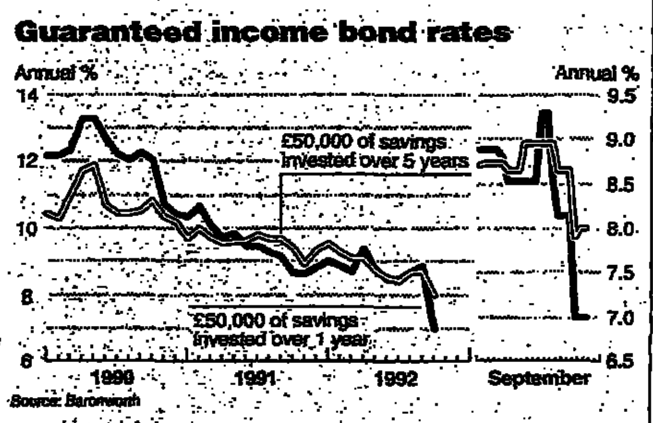
They are encouragingly simple products which guarantee you either an annual income, with capital returned at the end of the period, or a guaranteed annual level of growth. Basic-rate tax is paid by the fund; you will be liable to pay more if you are a top-rate taxpayer.

This level of security is very attractive. But the rates on offer, particularly with many marketeers predicting that inflation will return, are not good enough. The best rates over one year are 6 per cent for £1,000 and 7 per cent for £50,000. Over five years, these rise to 7.5 and 8 per cent.

National Savings' index-linked certificates still guarantee to beat inflation by 4.5 per cent over five years. That means they will beat Gibs if inflation over the next five years averages more than 3.5 per cent. And long bond yields show that marketeers expect inflation to be worse than this.

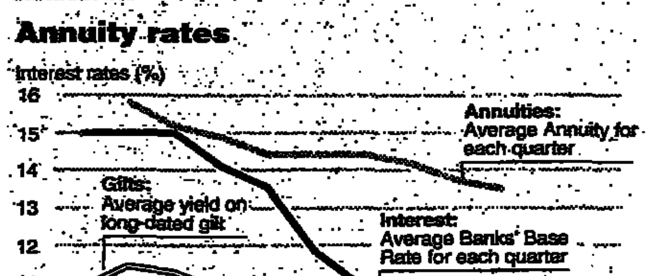
James Higgins, of Chamberlain De Broe, says: "Before anyone buys the five-year Gibs, they should make sure that they hold the full allowance of 5th issue index-linked certificates."

Guaranteed income bond rates



Source: Baronworth

Annuity rates



Source: Sage Financial Consultants

Councils are hit by troubles at MMI

But individual policyholders have less cause to be concerned, reports ***Richard Lapper***

THE DEMISE of Muncipal Mutual (MMI), the UK's ninth-largest insurer, is causing serious problems for Britain's local authorities which are facing increases in premiums and are without cover in some cases. But individuals who have bought home, motor, health and life insurance policies from MMI and its subsidiaries should not get too worried by its well-publicised problems.

On Wednesday, the company stopped writing new business or renewing existing policies, and ceased temporarily to pay claims. MMI, which insures nine out of 10 metropolitan, county and district councils, stumbled into difficulties following rapid expansion into new insurance markets in the 1980s when it undercut many of its competitors.

MMI also suffered from a sharp rise in legal actions for negligence against local authorities like Staffordshire, which was hit hard by claims from victims of the "pindown" disciplinary regime in its childrens' homes.

Across the country, councils also have been hit by a surge in minor public liability claims, such as those from people who have suffered accidents on badly-maintained roads.

In May, MMI reported that it had been forced to inject millions of pounds into its reserves to pay for future claims, leaving it with insufficient capital to continue trading at present levels. Net assets at the end of 1991 amounted to £4.9m compared with net premium income of £785m.

Following a change in senior management, the company began efforts to transfer its business to other insurance companies. But this has proved difficult and this week's announcement followed the breakdown of rescue talks with a French company, La Garantie Mutuelle des Foncionnaires.

MMI's managers are hopeful they can avoid a full-scale liquidation. One possibility being explored by the company, along with its local authority owners, is to set up what accountants call "a scheme of arrangement" with creditors.

If this were to be agreed, Municipal Mutual would remain intact in order to pay all claims on policies sold already, disposing of all its liabilities in an orderly fashion. Individual and commercial policy-holders alike could expect to receive full payment of any claims as the company ran down its asset base of more than £1.3bn.

The group's health and life subsidiaries are in better shape. Prime Health is continuing to write new business and renew existing policies, while Prosperity Life Assurance will continue to issue renewals but will not issue new policies.

In addition, the company still hopes it can transfer its 1m or so individual home and motor policies to other companies. Already, a number of "block" policies – sold on insurers' behalf by building societies – have been transferred.

Under pressure . . . Municipal Mutual's chief executive, Brian Wright

Since January 1990, Cheltenham and Gloucester building society has sold 216,000 MMI policies (mainly home and contents) to its mortgage borrowers. The society has negotiated in principle to transfer all these policies to General Accident, the Perth-based composite (general and life) insurer.

Norwich and Peterborough building society, which has sold 22,000 MMI policies, has switched the block to Norwich Union, with which it is already insuring the remaining one-third of its block polices. Most of the policies came up for renewal on September 29. Terms and conditions remain unchanged.

Even if the worst happens and MMI does eventually go into liquidation, individual policyholders will have most of their claims paid.

The Policyholders' Protection Board – established in 1975 after a number of insolvencies in the late 1960s and 1970s – meets 90 per cent of all non-life and life claims from individual policyholders.

In the case of compulsory policies – such as third party motor insurance – the PPB pays 100 per cent of all valid claims.

Municipal Mutual policyholders who bought their policies from AA Insurance Services, the broker, also will receive full payment for all valid PPB claims, with the AA making up the difference between the 90 per cent paid by the PPB and the full value of the claim.

Around 80,000 motorists have bought MMI policies from the AA. MMI also was part – along with three other insurers – of an AA scheme which sold 300,000 home policies.

The PPB is financed by the insurance industry as a whole, and a liquidation by Muncipal Mutual would lead to some of its heaviest payouts yet. In recent years, claims have been paid by the PPB following the insolvencies of Continental and Trinity Insurance in 1992, NEMGIA in 1991, and Cavalier Insurance in the mid-1980s.

Home loans come down

THE FALL in interest rates has been followed by an avalanche of fixed-rate mortgage offers from the main building societies. Several are at well below 9 per cent and one lender, National Counties, has even put a variable-rate mortgage on the market with a discount that brings it down to 7.99 per cent. Even people who locked into fixed rates of 9.75 per cent a week or two back must now be feeling unhappy.

In the City, the betting seems to be on further falls in mortgage rates. So, instead of seeking a fixed rate, it looks sensible to try to find a capped-rate product which will allow your payments to fall in line with the market.

Birmingham Midshires is offering two two-year mortgages, one capped and one fixed. They are available for endowment, pension, PEP and re-mortgages, although there is a ceiling of 75 per cent of the value of the property for re-mortgages.

The fixed rate is available at 8.90 per cent and the capped rate at 9.20, with an APR of 10.30 per cent in both cases. There is no compulsory insurance but there is a £225 arrangement fee. Early redemption penalties are three months' interest.

Woolwich, the third-largest society, and Alliance & Leicester, the fourth-biggest, both are marketing new fixed-rate mortgages. Woolwich is offering 8.99 per cent (APR 10.1 per cent) fixed for five years for endowment or pension mortgages only. There is a £275 application fee but no compulsory insurance and the early-redemption penalty is three months.

Alliance & Leicester is offering two mortgages, one at 8.5 per cent, the other at 8.75 per cent, both for two years. Which rate you get depends on whether you want a mortgage for more or less than 75 per cent of the property's value. The loans must be larger than £30,000. Both are portable: if you move, you can transfer the mortgage to the new property.

More attractive still is the 8.25 per cent, two-year fixed-rate from Cheltenham & Gloucester, with an application fee of £100. It is available for all types of mortgage; redemption penalty is three months' interest.

It is likely, though, that we will see lower rates before much longer from C&G and the other large societies. Their present fixed rates compare well with those of the past decade, but they do not look particularly enticing if you believe that inflation in Britain is going to remain around 3 per cent or less for the short and medium term future, with base rates also remaining low.

David Barchard

A SuperSaver offer that isn't quite so super

Mike Truman casts an analytical eye over Norwich Union's promise to 'make your dreams come true'

BEFORE a financial adviser can sell a policy, he is supposed to ensure that it is appropriate to the client's circumstances. If he does not, he could face a claim for damages from his client and an investigation by his regulatory body.

No such rule protects those who reply to direct mail advertising and apply for policies by post. One such product which hit doormats all over the UK recently is the SuperSaver plan from Norwich Union.

The front cover of the mailer promises "Cash to make your dreams come true! A big cash payout when you're 65." But the plan is not a pension policy. It is a with-profits life assurance policy, so the premiums do not qualify for tax relief and the growth in the fund is reduced by the tax the life company has to pay.

The SuperSaver differs from a standard with-profits plan in several ways. First, it does not offer a choice of policy term – the policy runs to age 65. Second, the premium increases by a fifth each year for the first five years so that it has doubled from the sixth year on.

It has no medical requirement because, in case of non-accidental death, it will pay out only the premiums paid (without interest) or the surrender value, if higher. This makes the policy "non-qualifying." There will be a charge to income tax on higher-rate taxpayers when the policy matures.

So, is it good value? The obvious comparison is with a personal pension plan; since that is designed to produce a lump sum and pension at retirement.

The SuperSaver illustration projects a capital sum of just under £860,000 at age 65 for a 20-year-old paying an initial premium of £60 a month. This is based on the LAUTRO-approved growth rate of 10.5 per cent.

For a personal pension, the comparable growth is 13 per cent, to allow for the tax exemption that pension funds enjoy. Since pension premiums get tax relief, the same initial net premium of £60 would represent a gross premium of £80.

Allowing for both these factors, the pension fund could be expected to reach £2.2m. Of this, one-quarter (or £550,000) could be paid out as a tax-free lump sum.

The remainder would have to be used to buy a pension for life, but this could be "guaranteed" so that at least five years' pension would be paid out even if the recipient died sooner. On present annuity rates, a level pension with such a guarantee would come to just under £200,000 a year.

So, the pension plan would pay £500,000 on maturity, tax free, plus a further £1m (subject to tax) guaranteed over the following five years, compared with the SuperSaver projected maturity payout of £860,000. And the pension would go on paying £200,000 a year gross until death.

If the projected payout from SuperSaver is compared with that from the cash lump sum and the first five years of a guaranteed personal pension net of basic rate tax, it is not until the age of 50 that the SuperSaver projects a better return – yet, it is advertised as a policy for those between 18 and 55.

The one group for whom this policy could have advantages is those who want the "death by accident" insurance and are in an occupation that makes this difficult to get. A 20-year-old window cleaner who started paying £60 a month into a SuperSaver would have a death by accident benefit of £60,000.

Insurance broker Sutton Winson in Twickenham, west London, said the cheapest policy it could find for someone in such an occupation was £96 a year – ironically, from Norwich Union. Eight pounds a month would start to make a hole in his tax savings. But anyone without sufficient life cover should get proper term assurance covering death from any cause, not just by accident.

Chris Armstrong, of Norwich Union's direct marketing division, pointed to the traditionally high surrender values that the company pays on its with-profits contracts. He said this gave more flexibility than a personal pension in difficult times when people needed access to their money.

He agreed, however, that no one should enter into a long-term contract intending to surrender it; a warning which is reinforced by the surrender values presented clearly in the literature.

In no case is the surrender value (calculated under LAUTRO rules) projected to exceed the premiums paid within the first five years.

Armstrong saw the contract as a savings plan for those who wanted something more than a building society but did not want the risk of direct equity investment. It was not a replacement for pension planning, he said.

But for those who have inadequate pension arrangements, it seems that SuperSaver is not quite so super after all. "The most appropriate targets for this plan are people who want to save for a cash lump sum and who are already in pension schemes or who do not have the option of joining one," said Armstrong.

Directors' Transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Abbott Mead Vickers	Medi	61,440	224	3
Beattie (James) A	Stor	10,000	12	1
Candover Investment	InvT	250,000	585	1
Cowie T	Moto	1,000,000	1,380	1
Croda International	Chem	91,000	184	2*
EMAP	Medi	8,000	21	1
Greene, King & Sons	Brew	161,988	711	1
Gresham Telecomptg	Eltn	1,050,000	304	1
Headline Book Publ	Medi	182,250	335	2
Johnson Matthey	Metl	41,200	189	1*
Lloyd Thompson	InsB	110,000	238	2
Macallan Glenlivet	Brew	250,000	378	1
MAI	OthF	7,710	10	1
Menvier-Swain	Elec	290,000	1,233	1
Protean	EngG	158,333	172	2*
Radius	Eltn	50,000	20	1
Scapa Group	Othl	172,089	325	1*
Sphere IT (Pref)	InvT	35,000	23	1
Stirling Group	Text	36,925	14	1
Takare	Hlth	1,600,000	3,216	2
Tomkins	Othl	10,000	27	1
PURCHASES				
Allen	Cont	130,900	82	3
Ashley (Laura) ADRs	Stor	5,350	$29	1
British Aerospace	EngA	113,500	142	5
Bryant Group	Cont	8,169,250	6,127	1
Buckingham Intl	Hotl	426,000	12	1
Estates & General	Prop	2,150,000	65	3
Fairhaven	OthG	350,000	$126	2
Granada Group	Hotl	384,172	939	2
Great Southern Fnl	Misc	17,461	17	1
Helical Bar	Prop	70,000	66	1
Henderson Strategic	InvT	9,000	12	1
Henlys	Moto	18,000	11	1
Hillsdown	FdMa	20,250	17	1
Mid-Wynd	InvT	7,000	16	1
Peel Holdings	Prop	25,000	23	2
Protean	EngG	50,000	56	1
Ransomes	EngG	100,000	10	1
Stirling Group	Text	77,850	22	3
Try Group	Cont	50,000	11	1
Ward Group	BdMa	80,000	23	1
Whitecroft	Othl	81,000	23	7

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 21-25 Sept 1992. Source: Directus Ltd, Edinburgh

THE WEEK has seen a very even balance between purchases and sales. It began with the disposal of 1m shares by Sir Tom Cowie, chairman of T. Cowie, the eponymous contract hire and leasing company which is one of the few in the motor sector to have performed consistently well since the dark days of 1990 (although it failed recently in its bid to acquire a rival car and coach company, Henlys).

The share price performance of Menvier-Swain resembles that of Cowie: it reached a low point at the end of 1990 and has performed well ever since. The chairman, Charles Swain, has sold 290,000 shares at 425p, more than double their price at the beginning of 1991. He retains more than 1.25m.

Nursing homes is one area of the economy which appears to have bucked the general downward trend. Takare is the UK's largest operator of nursing homes and has benefited accordingly. Keith Bradshaw and Deverok Pritchard, chairman and deputy chairman respectively, each sold 800,000 shares at 201p. The sales were made to enable them to repay borrowings, and each retains more than 11m shares.

Bryant, the housebuilding group, reported final results recently which were better than analysts' best expectations. On the day they were announced, chairman Alan Bryant, together with his wife, bought a total of 8,169,250 shares at 75p. The stake was acquired from Royal Insurance and, effectively, doubles his holding.

Angus MacDonald, Directus Ltd

Week Ahead

MORE bad news from the recession in construction, property and housing sectors is expected on Thursday with three victims reporting results.

Higgs and Hill took exceptional charges of £20.9m and reported a pre-tax loss in the year to December 31, and is expected to post minimal interim pre-tax profits of £500,000-£800,000. The interim dividend will likely be slashed to 1.5p (6p).

Ibstock Johnsen, the brick and building materials manufacturer, has also been having a tough time. Interim pre-tax profits of £3m-£4m (£7.2m) are forecast. Its interim dividend also looks under pressure and could be cut to 1p or even a halfpenny (3.25p).

However hopes are brighter for Tilbury Douglas. Interim profits of £6.5m (£6.6m) are expected and the 10½p dividend looks safe. The company is expected to maintain its reputation as one of the few in the construction sector to be coming through the recession relatively unscathed.

Grampian Holdings, the Scottish mini-conglomerate which set the ball rolling in the bidding for Macarthy last year, is expected to show on Wednesday an interim profit on its continuing activities of £2.5m, down from £3.4m.

The picture is complicated by the sale of the Mitre business, maker of footballs and other sporting goods. The largest part of Grampian is the animal pharmaceuticals division. The performance of the tourist retailing side is traditionally biased towards the second half.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Blystad	5.4	4¼	4½	7.50	Abbot Hldgs
Cahill May Rob.	94	54	54	‡£24.64	AAH Hldgs
Continuous Stat.‡	40*	38	34	6.80	Prontaprint
Gibbs Mew	200*	185	183	11.00	Brierley Inv
TVS Entertainment	25	22	18¾†	15.50	Int Family Ent
Do. Prel.	45	42½	38†	22.50	Int Family Ent

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 2/10/92. §§Shares & cash. † Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Ardagh	Jun	4,210⚘	(4,980⚘)	11.18	(12.39)	3.115	(3.0)
Birkby	Mar	4,550 L	(15,710 L)	-	(-)	-	(-)
Beckman (A)	Jun	903	(1,100)	5.2	(6.4)	4.78	(4.78)
BM Group	Jun	34,640	(34,000)	23.4	(27.2)	5.0	(3.4)
British Bldg & Eng	Jun	1,170‡L	(575 L)	-	(-)	-	(0.5)
Cornwall Parker	Jul	8,260	(8,050)	13.3	(13.2)	5.7	(5.5)
CST Emerging Asia Tst	Mar	112 L	(72 L)	-	(-)	-	(-)
Eleco Holdings	Jun	1,580	(3,350)	3.2	(7.3)	3.3	(4.6)
Fortnum & Mason	Jul♠	2,460	(2,160)	383.0	(311.0)	108.0	(90.0)
Frogmore Estates	Jun	9,700	(7,110)	16.4	(7.2)	15.0	(13.8)
GT Japan Inv Tst	Jun	851Φ	(820Φ)	1.36	(1.31)	1.4♣	(1.15)
Headway	Jun	637	(606‡)	4.1	(4.3‡)	0.7	(0.7‡)
Honeysuckle Group	May	720	(275)	6.3	(2.0)	1.0	(1.0)
Lincat	Jun	810	(708)	8.2	(8.0)	5.1	(5.1)
Multitrust	Jun	105	(70)	1.5	(1.61)	2.5	(2.0)
Norex	Jun	1,770	(9,600)	-	(-)	2.0	(2.0)
Palmerston Holdings	Mar	5,460 L	(2,680 L)	-	(-)	-	(-)
Pict Petroleum	Jun	2,960	(4,630)	6.65	(12.56)	-	(-)
Prestwick	Jul	91	(109)	-	(-)	1.5	(1.5)
Property Trust	Mar	7,950 L	(3,140 L)	-	(-)	-	(-)
Sheldon Jones	Jun	885 L	(221 L)	-	(-)	-	(2.56)
Surrey Group	Mar	5	(216 L)	0.07	(-)	-	(0.05)
Thorpe (F. W.)	Jun	1,830	(1,800)	9.7	(8.2)	2.5	(2.15)
Tuskar Resources	Mar⚘	30,800 L	(8,100 L)	-	(-)	-	(-)
Unigroup	Jun	104	(1,290)	-	(-)	-	(-)
Waterman Partnership	Jun	2,720 L	(113)	-	(0.2)	1.0	(2.0)
Waverley Cameron	Mar	1,430 L	(617 L)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aberdeen Petroleum	Jun	157★	(7★)	-	(-)
Alexon	Jul	2,080	(3,820)	3.0	(3.0)
Anglo-Eastern Plant.	Jun	530	(106)	0.375	(-)
Anglo Pacific Res.	Jun	147 L	(114)	-	(-)
Aran Energy	Jun⚘	38	(203 L)	-	(-)
Asda Property	Jun	1,580	(3,020)	0.65	(0.65)
Bank of Scotland	Aug	74,200	(75,700)	1.77	(1.7)
Belacom	Jun	3,230 L	(129)	-	(-)
Blockleys	Jun	410	(852)	0.5	(1.95)
BLP Group	Jun	1	(261 L)	-	(-)
Boosey & Hawkes	Jun	1,440	(1,304)	6.0	(5.5)
Bostrom	Jun	796	(736)	2.5	(2.5)
Brent Walker	Jun	79,400 L	(133500L)	-	(-)
Camellia	Jun	1,890	(5,220)	12.0	(11.0)
Capital Industries	Jun	988	(640)	1.6	(-)
Central Ind TV	Jun	15,100	(3,400)	10.0	(7.5)
Clayform Properties	Jun	10,900 L	(6,600 L)	-	(-)
Cliff Resources	Jun	802	(1,090)	-	(-)
Corporate Serv. Grp.	Jun	466 L	(523 L)	-	(-)
Culver Holdings	Jun	122	(-)	0.1	(-)
Densitron	Jun	370	(401)	0.4	(-)
Donelon Tyson	Jun	1,020	(1,450)	-	(-)
El Oro Mining	Jun	799	(1,090)	-	(-)
F & C Pacific	Jul	533Φ	(1,420Φ)	0.75	(0.75)
Fact (EW)	Jun	482	(570)	1.6	(1.21)
Fitch	Jun	1,810 L	(675 L)	-	(-)
Forte	Jul	24,000	(42,000)	2.75	(2.75)
Garton Engineering	Jun	37	(161)	1.0	(1.75)
Global Group	Jun	658	(959)	0.2	(0.2)
Greenacre Group	Jul	605	(307)	0.13	0.125
Hogg Group	Jun	6,800	(8,260)	3.15	(3.15)
Holt (Joseph)	Jun	3,630	(3,330)	10.0	(9.0)
How Group	Jun	96 L	(507)	0.75	(1.0)
HTV Group	Jun	5,030 L	(4,840 L)	-	(-)
Jefferson Smurfit	Jul⚘	60,000	(75,100)	1.2306	(-)
Linread	Jun	1,050	(1,370 L)	1.5	(2.0)
Malaya Group	Jun	160 L	(259 L)	-	(-)
McLaughlin & Harvey	Jun	306 L	(4,890)	-	(-)
Metsec	Jun	868 L	(285 L)	-	(2.7)
Mowlem (John)	Jun	9,900 L	(7,000)	2.0	(5.65)
Molins	Jun	7,200	(6,800)	4.5	(3.0)
Ramco Oil	Jun	250	(225)	-	(-)
Ratners	Aug	30,600 L	(17,700L)	-	(-)
Redland	Jun	88,500	(78,800)	8.25	(8.25)
Richards Group	Jun	256	(505)	1.65	(1.65)
Sears	Jul	8,800 L	(2,400 L)	1.0	(1.525)
Sherwood Group	Jun	8,180	(6,550)	0.9	(0.78)
Sykes Pickavant	Jun	402	(302)	2.25	(2.25)
T & S Stores	Jun	6,540	(7,080)	2.4	(2.25)
Time Products	Jul	3,900	(3,040)	2.75	(2.65)
Walker (Jo) & Co.	Jun	162 L	(294 L)	-	(-)
Watts Blake Bearne	Jun	3,743	(3,503)	2.7	(2.7)
Wembly	Jun	2,500	(709)	0.2	(0.9)
William Jacks	Jul	1	(601 L)	-	(-)
Xtra-Vision	Aug	504⚘	(706⚘)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ♠ = for 76 weeks. ♠ = for 15 months. Φ = net revenue. ⚘ = Irish pounds and pence. ★ = net profit. ♣ = includes special distribution of 0.25p.

RIGHTS ISSUES

Capital Industries is to raise £8.74m via a 21 for 20 rights issue at 78p.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Allied Leisure	Wednesday	1.5	3.25	1.5
Burn Stewart Distillers	Tuesday	-	-	-
Galliford	Thursday	0.95	3.35	0.95
Goodwin	Friday	-	0.63	-
Halstead (James)	Wednesday	4.25	7.0	4.5
Manchester United	Tuesday	-	-	6.0
Merivale Moore	Thursday	2.75	7.75	1.0
Microfilm Reprographics	Monday	1.2	2.4	1.44
North American Gas	Monday	-	-	-
Peratop	Wednesday			
Raine Industries	Tuesday	2.0	4.0	2.0
Renishaw	Wednesday	2.0	4.0	2.5
Savage Group	Tuesday	-	-	-
Welmiller (Barry)	Tuesday	2.4	4.3	2.4
Welsh Industrial Inv.Trust	Monday	-	4.5	-
INTERIM DIVIDENDS				
Acorn Computer	Thursday	-	-	-
Austin Reed	Wednesday	3.0	3.0	-
Bilston & Battersea Enamels	Thursday	-	-	-
Bowthorpe	Thursday	1.7	4.34	-
Brown & Jackson	Tuesday	0.1	-	-
Chepstow Racecourse	Thursday	-	1.0	-
Clarkson Horace	Thursday	2.75	5.25	-
Country Casuals Hldgs	Thursday	-	-	-
Derwent Valley Hldgs.	Tuesday	2.9	5.7	-
Eurotunnel	Monday	-	-	-
Grampian Hldgs.	Wednesday	1.7	3.8	-
Hewden Stuart	Wednesday	0.865	2.285	-
Higgs & Hill	Thursday	6.0	3.0	-
Ibstock Johnsen	Thursday	2.25	3.75	-
Ipeco Hldgs.	Wednesday	1.2	2.2	-
Johnston Group	Friday	4.5	4.5	-
Lamont Hldgs.	Friday	3.5	8.5	-
London & Manchester	Tuesday	4.428	9.144	-
Oriel Group	Monday	1.8	3.2	-
QS Hldgs.	Tuesday	1.45	3.30	-
Select Appointments	Wednesday	-	-	-
Silentnight Hldgs.	Monday	2.25	5.75	-
Slingsby (HC)	Friday	2.0	5.5	-
Stylo	Wednesday	-	2.5	-
Tilbury Douglas	Thursday	10.5	22.5	-
S & U Stores	Tuesday	-	-	-
Stora Koppaberg AB	Monday	-	-	-
Ulster TV	Friday	3.25	4.25	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

Planning Your Pension

Why it pays to keep good company

***Debbie Harrison** examines the different types of occupational schemes and their advantages*

BRITAIN has the most developed private sector system of pensions in the EC, covering about 50 per cent of employees. *Most of these* – more than 11m people – are in occupational schemes approved by the Inland Revenue, and total funds backing them are estimated at £300bn. But what advantages do they confer in return for this massive investment?

Company schemes are extremely tax-efficient. Contributions are paid *free of basic and higher rate tax, the* pension fund builds up tax-free, and a significant chunk of pension can be taken as tax-free cash at retirement. The pension itself is taxed as income.

There are two main types of occupational scheme: final salary and money purchase. Final salary schemes still dominate both the public and private sectors.

■ **Final salary schemes**

Under these – also known as "defined benefit" schemes – the pension is linked to the value of the employee's final salary at retirement. Most schemes are contracted-out of the state earnings-related pension scheme (Serps) and pay a reduced rate of employee and employer *National Insurance contributions.*

In return, they guarantee to provide a pension at least as good as the Serps benefit given up. This is known as the guaranteed minimum pension (GMP), which must increase annually in line with the retail prices index (RPI). (Contracted-in schemes simply pay a pension in *addition to Serps).*

In a typical scheme, the pension builds up at a rate of 1/60th of final salary for each year of service up to a maximum of 40/60ths, or two-thirds. Where tax-free cash is taken, the value of the pension is reduced.

Less-generous schemes operate on an "80ths" basis where the employee builds up 1/80th of final salary for every year of service and after 40 years has achieved a pension worth only 40/80ths, or one half, of final salary. But public sector schemes that operate in this way are treated as equivalent in value to a 60ths scheme because the tax-free cash is paid in addition to the pension.

About 50 per cent of company schemes reduce the pension by integrating with the state scheme. Typically, where a scheme is integrated, the first slice of salary up to the NI lower earnings limit of £2,800 is classed as non-pensionable.

A minority of schemes for senior management is very generous and builds up at the rate of 1/30th of final salary for each year of service, allowing the employee to achieve a maximum two-thirds pension after just 20 years.

In the past, the pension age in most company schemes was 65 for men and 60 for women but, following *a change* in EC law, *many are moving* towards an equal pension age of 65. Where an employee takes voluntary early retirement, the pension almost always is reduced.

Most final salary schemes provide other important family protection benefits in addition to the pension itself: for example, death benefits of between two and four times annual salary, or widow's and dependent children's pensions. Long-term disability pensions and private medical insurance also are common.

By law, every scheme must have an additional voluntary contributions (AVCs) provision although, since 1987, employees also have been able to contribute to individual plans known as free-standing AVCs (FSAVCs) and provided mainly by *insurance companies.*

Employees can contribute up to 15 per cent of gross pay to an occupational scheme. Pay in this context is defined as basic salary plus benefits such as overtime, bonuses, and the taxable value of fringe benefits. But some schemes limit pensionable pay to basic salary. Earnings excluded from pensionable pay under the *main company scheme can be used* for AVCs.

In practice, most employees pay about 5 per cent of salary into the scheme while employers vary their contributions according to what is needed to meet the pensions guaranteed by it. As a result, employers tend to pay more on behalf of older employees approaching retirement than for younger employees who have 30-40 years to go. Where employers do pay a fixed rate, this is usually twice that of the employees.

Over the past five years, the Revenue has restricted the pensions of certain high earners. In particular, some employees are, in the present tax year, subject to a cap of £75,000 on which contributions and the final pension can be based.

This cap applies to members of final salary schemes set up after the 1989 Budget and members who joined any final salary scheme after June 1, 1989. For them, the maximum contributions for this tax year are limited to £11,250 (15 per cent of £75,000), while the maximum pension is two-thirds of the cap, or £50,000.

Companies can provide pensions for salaries above the cap by using "unapproved" schemes which, although recognised by the Revenue, do not have the same tax advantages as those that are approved.

If you change jobs after two years in a scheme, you cannot claim a rebate of contributions and must leave your pension where it is – known as a preserved pension – or transfer it elsewhere. By law, the value of a preserved pension must increase by the level of the RPI up to a cap of 5 per cent. This is known as limited price indexation, or LPI.

The other options are to transfer your benefits to the new employer's scheme or to an insurance product – either a personal pension or a buy-out bond. But transfer options should be considered only with the help of a pensions professional.

Most companies provide annual increases of 3-5 per cent on pensions in payment. Some increases are guaranteed, but others are discretionary reviews.

When an outstanding requirement of the Social Security Act 1990 is introduced, all schemes must increase pensions by at least LPI although, where the scheme is not in surplus, LPI will apply only to benefits built up from the date of implementation. Public sector pensions increase automatically in line with the full RPI, as do public sector preserved pensions.

■ **Money purchase**

Under a money purchase scheme, contributions are invested to provide a fund at retirement which is used to buy an annuity. The value of the fund – and, hence, the annuity – is not guaranteed but depends on the provider's investment performance and charges. There are two types of money purchase arrangement: contracted-out money purchase schemes (Comps) and group personal pensions (GPPs).

Under a Comp, the Serps rebate must be included in the 15 per cent contribution limit. Since Comps are classed as occupational schemes by the Revenue, the annuity income must not exceed two-thirds final salary. Some Comps provide a guaranteed minimum pension but others offer only "protected rights" where the the rules guarantee that a minimum contribution, equal to the Serps rebate, is paid into the fund. Unfortunately, there is no guarantee of what this will be worth at retirement.

Most Comps also provide death in service benefits. Just to complicate matters further, there is also a Comp where the annuity purchased by the pension is paid in addition to Serps.

In 1988, companies lost the right to make membership of their schemes a condition of employment. This coincided with the introduction of *personal pensions which allowed* employees to opt out of Serps individually for the first time.

Group personal pensions are not classed as occupational schemes by the Revenue. In practice, they operate in the same way as individual plans although, sometimes, the employees benefit from the economies of scale.

All GPPs used to contract-out of Serps offer protected rights. Personal pension contribution limits start at 17.5 per cent of net relevant earnings (equivalent in this context to pensionable pay) for employees up to age 35, and rising to 40 per cent for employees age 61 and over. Employer contributions must be included in these limits.

■ *Next week: Personal pensions*

NS cuts rates on savings

NATIONAL Savings has announced cuts of between 0.75 and a full percentage point in the interest it offers on fixed-rate savings products. *The Building Societies'* Association welcomed the move and said it would ease pressure further on mortgage rates.

The launch in July of the First Option bond, which offers a fixed rate over one year with tax paid, brought protests from societies, which said it was *impossible* to match.

The initial rate for the bond, of 10.34 per cent gross, prompted the Cheltenham & Gloucester society to raise its mortgage rate. This was followed by a cut in the bond's gross interest rate of 0.67 points.

The gross interest on the bond has been cut by a full percentage point to 8.67 per cent and no longer poses such a competitive threat to building society deposits. Similar cuts were made to National Savings' more traditional products.

The new 39th issue savings certificates guarantee a tax-free return of 6.75 per cent after five years; the 38th issue paid 7.5 per cent. Certificates for the 39th issue will be sold in units of £100 rather than £25, a denomination in which certificates have been available since 1981.This also should lessen the pressure on societies.

Series E capital bonds, which *offered 10 per cent gross, have* been withdrawn and replaced by Series F bonds which offer 9 per cent. The new issue D of children's bonus bonds will also see a cut of one percentage point, from 10.1 to 9.1.

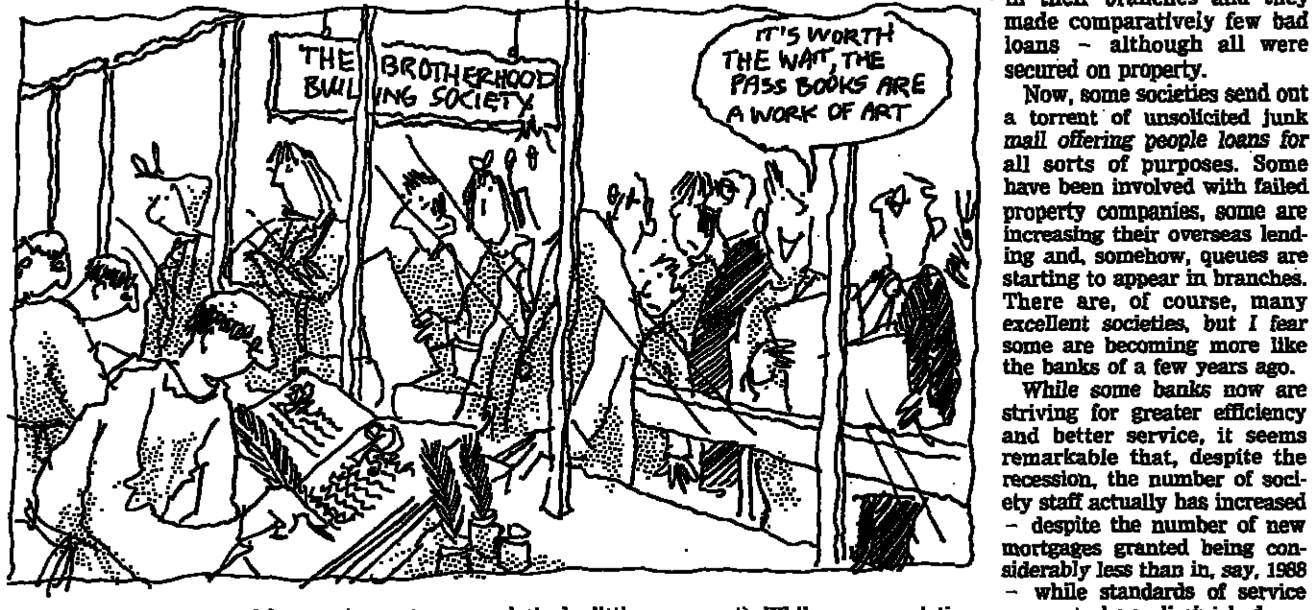
The overall return on a five-year Yearly Plan will be 6.75 per cent, compared with 7.5. No change has been made to index-linked certificates.

All these products will be available direct from National Savings from Monday but they will not be obtainable from post offices until Thursday, October 15.

John Authers

Diary of a Private Investor

Sad decline of the building societies



They're getting the banks' bad habits, laments ***Kevin Goldstein-Jackson***

IN 1990, my family of four – *two adults*, *two children* – had 15 separate accounts with seven different building societies. Recently, however, we have cut back.

One of the reasons we had spread our money so widely was that *I believed the UK was* "over-branched" with societies and that, with a decline in the housing market and a difficult economic situation, more of them would have to merge.

If that occurred, we might hope to benefit from "bonuses" *paid by societies to members to* encourage them to vote for such mergers.

(This happened *in 1990* when, as members of the Portman building society, we received a bonus of 4 per cent on our investments (with a £100 bonus *limit for each account*) when it merged with the Regency and West of England).

We also thought that several societies would follow Abbey National and gain a stock market quotation, with shares being given to members.

In the present recession, though, I feel some societies will be forced into mergers or *could be taken over* by other financial institutions; in such circumstances, relatively little may be offered as a bonus payment to members.

And if they vote against a merger or takeover, their society might have rather a difficult future.

It is also worth remembering that building society investors *are protected for only the first* 90 per cent of their deposits, up to £20,000 for each individual per society.

With the recent flop or withdrawal of several company flotations and continuing uncertainty over the stock market, it could well be that any society that had considered a flotation will defer such plans for a few years. There are still, however, a number of small societies which ought to attract bonus payments if they are taken over. These are the ones which have not diversified into loss-making activities like estate agents, and which have a high free capital ratio.

Take the Lambeth (with which I am retaining an account). While many societies have a free capital ratio of less than 6 per cent, it reported a free capital ratio of 9.61 per cent for the year ended January 31 1992.

Of course, takeover terms for societies will depend heavily on their loan policies. Have *they granted too many* 90-100 per cent mortgages where the value of the property is now considerably less than the out*standing loan* and many people are finding it hard to meet payments? Have they taken adequately into account the likelihood of further falls in property prices? Do their accounts reflect problem loans properly?

The societies complained bitterly recently about competition from various National Savings products; this led to a reduction in the interest rates offered on some of them. But the societies also face increasing competition from banks and other institutions.

Some years ago, there was a *marked difference between* banks and societies. The banks generally were overstaffed (although people had to queue for service) and they made a *series of bad loans to* third world countries, failed property companies and crooked businessmen.

By contrast, societies appeared keen and efficient. There were seldom long queues in their branches and they made comparatively few bad loans – although all were secured on property.

Now, some societies send out a torrent of unsolicited junk *mail offering people loans for* all sorts of purposes. Some have been involved with failed property companies, some are increasing their overseas lending and, somehow, queues are starting to appear in branches. There are, of course, many excellent societies, *but I fear* some are becoming more like the banks of a few years ago.

While some banks now are striving for greater efficiency and better service, it seems remarkable that, despite the recession, the number of society staff actually has increased – despite the number of new mortgages granted being considerably less than in, say, 1988 – while standards of service appear to have diminished.

Many co-owners of societies (their depositors) are unaware of these staff increases. This is because most societies do not send their shareholder depositors a full set of accounts. Instead, they receive rather scrappy "summary financial statements."

In general, these omit to mention the salaries paid to directors. Indeed, many societies appear to be run by self-perpetuating boards. But these could well need a shake-up; a board that managed in easier economic times might not be suited to the tougher climate now.

As well as competition for depositors and mortgage advances from the banks, I think the societies also will face growing competition from foreign currency funds. The recent turmoil within the EC has shown how nice profits can be made from *foreign currency* transactions.

As it is easier to switch currencies with banks than with building societies – especially if people want to back something exotic like the Korean won – will the societies find some of their large depositors turning elsewhere?

Heart of England members hope for bonus bonanza

But suitor from Scotland might not have quite enough money for the dowry, says ***David Barchard***

FOR YEARS, investors have been trying to spot building societies which might be taken over by outsiders and end up paying substantial cash bonuses to their members.

Last month, it emerged that Heart of England, the 25th-big*gest society with assets of* £1.01bn, was negotiating with Bank of Edinburgh, a retail financial services group, about a friendly takeover. Once terms for the deal are agreed – something which seems still to be some way off – the *200,000 Heart of England mem*bers may be in for a bonus which could set a precedent for the entire industry.

To understand what is at stake, you must remember that this is not like a takeover between companies. Building societies are owned not by shareholders but by their members. If a society decides to *shed mutual ownership, it* can be done only through a vote by members at an extraordinary general meeting.

The criteria for approval are quite stiff: in a building society flotation, like that of Abbey National in 1989, 30 per cent of savers had to vote and a 75 per cent vote in favour was required. A simple majority is needed from borrowers who vote.

When it comes to a takeover, the voting requirements are much higher. At least half the savers in the target society must vote, and more than three-quarters of those who do must be in favour of the change. Alternatively, savers with 90 per cent of the savings held in the society must vote in favour. *It is a stiff test* and, until April 1989, no one had any idea of how easy it would be to get past it.

The resounding vote that *month by Abbey National* members in favour of shedding building society status transformed the picture completely. Of the 5.5m members eligible to vote, 3.1m (or 62 per cent) did so, with 89 per cent of savers and 90 per cent of borrow*ers in favour of the flotation.*

That suggests that the voting hurdle should be easy to exceed. But, of course, it depends in part on what incen*tives are offered to members.* Abbey's were offered £100 worth of free shares, worth £140 at the time of the *float* although they rose rapidly in value once trading began: this week, they would have been worth £313.

Since members of a society being taken over are, in effect, giving away ownership of their shares, it has normally been assumed that they would get generous cash handouts. So, are Heart of England members in for a bonanza? I fear not.

Bank of Edinburgh is capitalised at £26m, and a quick calculation suggests it cannot pay 200,000 members even £140 each. *Perhaps the Scottish* investors who back it will be willing to put up more cash to finance the purchase. But their resources are unlikely to be unlimited and, apart from paying a bonus to Heart of England savers, the bank also needs to inject new capital into the society and keep some money ready for further possible acquisitions.

If the investors do not stump up, Bank of Edinburgh might have to consider mixing some cash for members along with an offer of new shares.

Incidentally, the bank need *not hand out the bonus* on a flat-rate base: it could decide to pay investors in proportion to *the amount of cash they had* with the society on a qualifying date, and hope to attract the backing of savers controlling 90 per cent of its funds.

The trouble is that Bank of Edinburgh shares are not at present traded on the stock exchange. Even if they were, they are a much less attractive investment than Abbey National shares were in 1988.

It remains to be seen whether savers will vote for this sort of deal which, frankly, would be a much less glittering offer than that made to Abbey National members.

Is now the time to put money into the Heart of England? If the takeover date goes ahead, a qualifying date will be set. It might have passed already, but not necessarily so. (Abbey National announced its flotation plans in April 1988 and set a qualifying date of December 31 that same year). Members who were not entitled to vote – children, for example – did particularly well out of the compensation offered.

Some investors prefer to try to identify the society which will be next in line for a takeover after Heart of England – *not an easy task, because plans* can change. National & Provincial planned a stock market flotation in 1989 but had to pull out.

But societies which might be plausible targets for a takeover include Norwich & Peterborough, Chelsea, North of England, West Bromwich, Stroud & Swindon and perhaps *the Portman*. All combine fairly large branch networks with strong regional customer bases which might be attractive to a bank.

Even if no predators emerge from outside the industry for them, they would be natural candidates for mergers with a larger society. If any of them remains independent in 10 years' time, it will have cause to congratulate itself.

Overcharged by the Revenue

I SOLD a second home and provided the Inland Revenue with the necessary information for CGT purposes. In February 1992 they charged me an interim amount of tax, and in March 1992 they charged another final amount.

I paid each of these soon after receiving their requests. Recently, they have told me I was considerably overcharged. *Should I expect (or is it the duty of)* the Revenue to pay interest to me on the overpaid sums?

■ Much depends upon whether the error was a simple mistake or whether it might reasonably be ascribed to incompetence or maladministration. It is possible, for example, that the error was partly attributable to the manner in which you set out the relevant facts, figures and dates. And you must bear in mind that you were under a statutory obligation to submit *your own computation of the* chargeable gain (by virtue of section 12 of the Taxes Management Act 1970).

In order to keep down the cost of tax collection, parliament requires taxpayers to calculate their chargeable gains: *you had no legal right simply* to provide the tax inspector with the basic data and leave him to work out the chargeable gain. It is a pity you did not think of seeking guidance on the CGT rules from the solicitor who acted for you in the *sale of the house. Had you* done so, it might have been possible for him to advise you on a way of reducing the *pro*spective CGT bill.

You might like to come back to us with the precise facts, figures and dates which you sent to the tax office so that we can calculate what the chargeable gain should be. At the *same time you could*, if you wish, send us photocopies of the tax office's calculations etc.

Bachelor's complaint

I AM a lifelong bachelor, aged 53, *who has been working for* the same American multinational company since 1964. On joining the company, I had to join the contributory pension scheme, which is contracted-out of Serps. It is a final salary scheme, and contributions are based solely on present salary.

But I am concerned that the scheme discriminates against single employees in two ways: first, they do not have the right to (or need) a widow's pension; second, in calculating retiring pensionable pay on *which benefits are based, the* married basic state retirement pension is subtracted from pensionable earnings. This means, effectively, that the benefits per £ of contributions are worth less for single than for married employees.

Is this kind of discrimination legal? If not, how should I go about seeking redress? I intend retiring in 4/5 years from now.

■ We do *not accept your con*tention that your pension scheme "discriminates" against single people.

The notion that any benefit provided by an employer for one employee which cannot be (or is not) provided for another somehow "*discriminates*" is totally wrong-headed. Many schemes provide orphans' benefits and no one refers to them as "discriminating" against employees without children.

The objective of an employer with a good final paid pension *plan is usually to ensure a* guaranteed level of income replacement for employees who retire after reasonable periods of service, and also for spouses and other dependents.

Marriage patterns are unpredictable. Many employees who have remained single throughout their careers have married only a few months before retirement, enabling this late marriage partner to qualify for the same post-retirement spouse's pension entitlement as if the employee had been *married throughout his* service.

The employer might well fund his pension scheme on the assumption that virtually all employees will marry or have a dependant who will qualify for the equivalent of a spouse's pension. Furthermore, an *increasing* number of schemes now provide surviving spouse's pensions for post-retirement marriages.

This pattern of pension provision has been, and is, treated normally as equitable. Arguments such as those which you *advance about discrimination* against bachelors tend to be treated as on a par with claims by bachelors and childless couples that they should pay lower taxes because they have no children to use the state education system.

Pension for a widow

MY HUSBAND worked in *London from 1957 to 1973. He* then moved back to Ireland and died there in 1989. Am I entitled to the English widow's pension?

■ Your husband would have been required by law to contribute to the UK state social security system during his period of employment in the UK. To find out what widow's *state pension rights are avail*able, you should write to the Department of Social Security, Central Pensions Branch, Newcastle upon Tyne NE98 IYX.

You should quote your husband's UK National Insurance number if you know this. If *not, you should ask the Irish* social security authorities if they can provide any information that will help to trace his UK social security record.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	10.00%	Yly
Bristol & West BS	Balmoral A/C	031 225 3557	Instant	£2,000	10.40%	Yly
Britannia BS	Capital Trust	0800 654456	Instant	£2,000	10.40☆	Yly
North of England BS	Edinburgh A/C	091 510 0049	Instant	£10,000	10.50%	Yly
				£25,000	10.75%	Yly
Allied Trust Bank	3 Mth Notice A/C	071 626 0879	3 Month	£2,001	9.92%	Yly
Newcastle BS	Nova Star	091 232 6676	1 Year	£5,000	11.00%	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	11.68%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	11.60%	Yly
National Counties BS		0372 742211	5 Year	£3,000	11.50%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	11.00%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
UDT	Capital Plus	0734 560411	Instant	£1,000	8.25%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	8.50%	Yly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	9.60%	Yly
				£25,000	10.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	8.75%	Yly
Yorkshire Guernsey BS	Key Ninety	0481 719898	90 Day	£50,000	10.55%	Yly
Yorkshire Guernsey BS	Key Extra	0481 719898	180 Day	£25,000	10.60%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	10.50%	OM
				£50,000	11.25%	OM
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£50,000	7.10%	Yly
Cannon Lincoln FN		081 902 8876	2 Year	£2,000	7.00%	Yly
Laurentian Life FN		0452 371371	3 Year	£50,000	7.25%	Yly
Financial Assurance FN		081 367 6000	4 Year	£5,000	7.25%	Yly
Financial Assurance FN		081 367 6000	5 Year	£5,000	7.65%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
(7.25% wef 6.10.92)	Investment A/C		1 Month	£5	8.25%	Yly
(8.00% wef 5.11.92)	Income Bonds		3 Month	£2,000	9.00%	Mly
	Capital Bonds F		5 Year	£100	9.00%F	OM
	First Option Bond		12 Mths	£1,000	8.67%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	39th Issue		5 Year	£25	6.75%F	OM
	5th Index Linked		5 Year	£25	4.50% + Infln	OM
	Childrens Bond D		5 Year	£25	9.10%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ☆ = Rate Guaranteed not to fall before 1.1.93. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walsham House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692 582808.

PERSPECTIVES AND MINDING YOUR OWN BUSINESS

The convicts who reap what they have sown

Nicholas Lander visits one of Britain's largest agricultural operations and finds that the prison farm officers face a life of hard labour

Trevor Humphries

A life behind bars: an inmate at Standford Hill tends pigs bred on the prison's farm

THIRTY years after starting as a farm foreman, Maurice Codd runs the third biggest farming operation in the country.

But his is not a rags to riches story, as the nature of his workforce reveals. Codd started at £11 per week on a farm attached to Dartmoor Prison in Devon. Now, as Chief Farms and Gardens Manager for HM Prison Service, a Grade 6 Civil Service post which carries a salary of £26,000-£34,000 per annum, he manages 5,500 hectares of marginal farming land and a workforce of 3,500 prison inmates from an office in Croydon.

Putting prisoners to work on farms is not unique to the British penal system; when I met Codd he was flying off to meet his counterpart in the US.

The constraints under which Codd and his 80 strong management work and the diverse goals they have to achieve are quite different from those of normal farm managers. They must make the prison system as self-sufficient as possible in foodstuffs (by producing enough to feed 47,000 inmates three times a day) and train inmates for a career upon their eventual release.

Farming was first introduced to the British penal system at Dartmoor because it provided a healthy and hard day's work in the open air. It was an integral part of the Borstal regime when it was first established near Rochester in 1908. Prison farms have grown sharply as the number of prisoners has grown and as prisoners have increasingly been seen as an effective, and cheap, way of converting marginal land that no commercial farmer could be persuaded to touch.

Codd's organisation includes 17 large farms around Britain with 2,400 dairy cows, 1,400 breeding sows, 2,000 ewes and 4,000 laying hens. It produces 12,000 tonnes of potatoes, 6,000 tonnes of cabbage and 3,000 tonnes of carrots a year. The farms also provide most of the milk for the prisons and sell 6.5m litres to the Milk Marketing Board. There are five distribution centres around the country and prisons receive their deliveries three times a week via private contractors.

Until 1968 when a Cabinet directive stipulated that prison farms must become cost effective, they were run, says Codd, on the "dog and stick" principle and lost £200,000 a year. Things have changed. Today the only time a smile leaves Codd's countenance is when he talks about the Treasury.

Codd's annual turnover is over £35m and he receives an annual grant of £8m from the Treasury towards the running of the farms. But because he is Treasury-funded he cannot plough back any profits, nor is he eligible for any external grants. His management is pushed to make a profit but not allowed to retain what it makes and this, for Codd, removes the biggest source of staff motivation.

The prison farm system has little commercial contact with the outside world. It cannot sell to others as this would naturally upset commercial farmers. Prison farm workers are paid just £3 to £5 a week, not in cash but credits. But the saving that this cheap labour generates is not credited back to the farms either. Under the present set-up, which may change when the prison service becomes an Agency Service in April 1993, it does seem that the Treasury is the beneficiary of a system of funding distinctly at odds with anything approaching the stimulus of the free market.

Codd and his managers face two other constraints on their performance. New prison buildings will have to be built on land taken from the surrounding farmland. Codd will therefore have to feed more inmates on less land. In the meantime, because of prison over-crowding, only the more serious offenders are being sent to jail. As his farm workers are prisoners with good behaviour records or nearing the end of their sentences, Codd is also having to cope with a shortage of suitable labour.

A day spent with Ivor Gough, farm manager at HM Standford Hill, an open prison on the Isle of Sheppey on the north Kent coast, showed the many non-financial rewards of farming with inmates.

Gough trained at Agricultural College in his native Shropshire before running a Salvation Army farm for the poor in Jamaica. He combines professionalism with a common touch and a sense of humour.

He needs all these attributes. Grade 3 is considered the poorest quality land for farming purposes but Gough's land was Grade 3 minus. It was an airfield in the Second World War – RAF Eastchurch. It was heavily bombed and the craters were filled with rubble. The hangars were heavily strafed, leaving scars which are visible today. The base was decommissioned in 1951 and handed over to the prison farming service.

It is an incongruous sight. Because the prison farming system receives such limited capital it has to make do and mend. Gough's offices, from which produce is despatched daily to London's 27 prisons, are the semi-circular homes built for RAF officers in 1938. Huge buildings that used to be hangars for aircraft assembly lines now act as cold storages for up to 800 tonnes of potatoes and processing and packaging units for root crops.

His 150 head of cattle are still milked on a system that, says Gough, would long ago have been replaced on any commercial farm. After the 1989 riots at Strangeways Prison in Manchester, all capital expenditure on farms was frozen. As Gough explained resignedly: "New accommodation for the inmates was more important than new homes for the pigs."

I was fortunate enough to visit on a hot summer's day when most inmates were happy to have the opportunity to be working outside. The men, mostly young, worked in prison uniforms – blue shirts and jeans or overalls – but the absence today of the traditionally brutal prison hair cut made it difficult to spot exactly who was a prisoner.

Those I saw on the prison farm had all earned the right to be there. All were in low-risk categories and had served part of their sentence and now, the authorities felt, would respond to the more relaxed atmosphere of an open prison. There are few attempts at escape. The punishment, the immediate removal of the good conduct award, which carried with it the remission of a third of a prisoner's sentence, is sufficient deterrent.

> *The prisoners work whether they want to or not, and the working day is frequently interrupted by visitors — either family, police or probation officers*

Gough is visited frequently by environmental health officers and must obey all the legislation laid down by the Health and Safety Executive. His produce must be as good as the food the kitchen catering officers, whose budget for feeding a grown man varies from 88p to 120p per day, can buy from outside suppliers.

Dennis Neville, production and marketing manager for the prison farm system, said his 47,000 customers are obviously dissatisfied and that the food is always the first thing they will complain about.

When I asked what was the biggest difference between a commercial farm and one within the prison system he immediately replied: "the workforce."

He did not mean this uncharitably. Because the farms provide work, therapy and training for the outside world Gough has a constant workforce of 110 when his commercial competitors are seeking to shed labour at every opportunity.

Gough cannot hire or fire. He has to find work for all his prisoners whether they want to work or not and their working days are frequently interrupted by visitors – either family, police or probation officers.

One way in which the prison farm system has been able to make a virtue of its workforce, its size and its need to provide a vocational training has been through its connection with the Rare Breed Association which began six years ago.

To help the national gene bank to maintain as many bloodlines as possible 15 prison farms stock increasing numbers of what were rare animals.

Ove 40 species rare animals are bred on prison farms. Among them are British Lop pigs, belted Galloway cattle and Indian runner ducks. The prison system also boasts 27 Suffolk punch-horses, the farm work horse. It is the largest herd in the world.

I was introduced to Squire, a Suffolk punch which weighs just over a ton. He was being groomed for the weekend when, drawing a repainted gun carriage, he would take children for rides at a village fair.

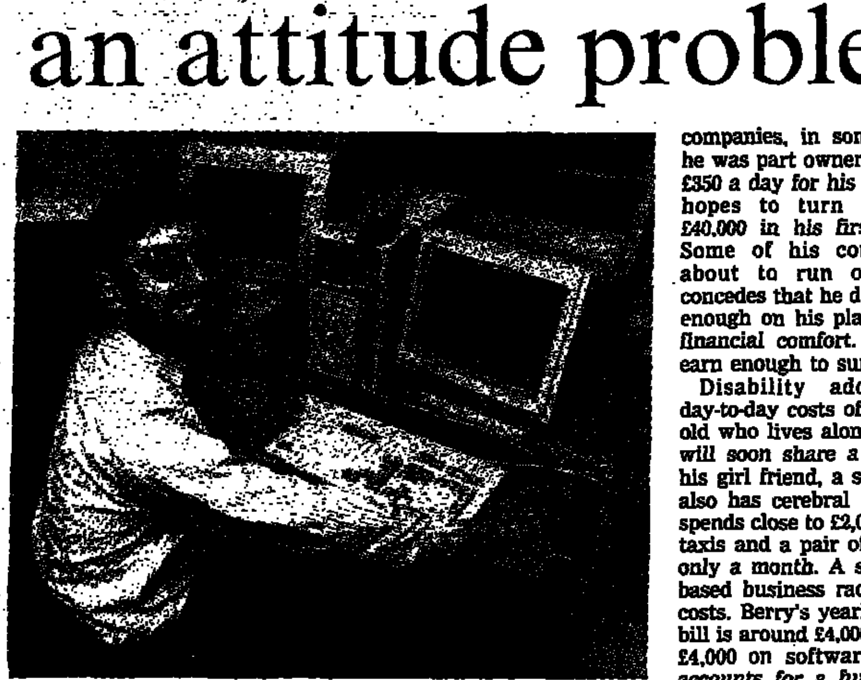
Of his two grooms, one with long curly hair and a confident air had appeared last year on the front page of the *Financial Times* in a fraud case. His colleague, with tattoos, grey cropped hair and a beard that gave him the air of a genial pirate, had been sentenced for smuggling cannabis in a case *The Sun* newspaper had headlined as "Bangers and Hash".

The prison farm system was teaching these, and many other city-bred prisoners, vocational skills and providing the basics for a new career. Appearing at agricultural shows and fairs, such as the recent Royal Agricultural Show at Stoneleigh, Warwickshire, where they won 25 awards, is also teaching the prisoners social skills and introducing them gradually back into society.

Pride of place in Gough's crowded office was a book of drawings and thank-you letters from a local group of Brownies who had recently spent a day down on his farm.

Minding Your Own Business/Nick Garnett

Working to solve an attitude problem



Keys to success: Andy Berry and his computers

ANDY BERRY recalls how he went to Jaguar with another disabled colleague. "One bloke took a look at us and he was thinking: 'Do I ask them to leave now, or listen and then get rid of them as soon as possible?' But we could have solved one of his business problems concerning the software for an industrial control system."

Berry has cerebral palsy, a disability in which the brain has difficulty controlling the body's muscles. He has a first class mathematics degree from the then Middlesex Polytechnic and an MSc in computer science taken at the University of Manchester. He now works as a one-man information technology business from the study of his Milton Keynes home.

Running a small company is tough enough. When you have a disability it does not make it easier. "People seem to need persuading I'm serious. Most people sub-consciously feel that I'd somehow be OK if I didn't work. But that is not true. I do not receive any money from the state, not even a mobility allowance. Some of the things people say to me still wind me up."

Berry, who is also a vice chairman of the Spastics Society is a humorous man. Pressing a button on the keyboard of his computer a list of "goals" appears and one of them is "Have fun!" He laughs. "I refuse to work on anything I'm not interested in doing." One of his bookcases is crammed with Isaac Asimov and Len Deighton books. But he is also very serious about what he does. The other bookcase is loaded with tomes and booklets with titles like *New Math CoProcessors, The C Language* and *Public Domain Powerhouses* as well as four books on computer technology he co-authored with two other disabled writers.

Most of Berry's work is difficult to grasp for a computer illiterate. One of his contracts is with a US company, EMC_2. This company is producing a system which will allow you at home to obtain a film on video without walking to a video shop. Instead it will be piped to your television via a satellite link. Another of Berry's contracts is with a Danish enterprise working on methods of transferring television Teletext on to paper.

"What I'm best at is identifying novel solutions and finding people to put them into practice working with me. I tend not to get involved with heavy programing, you know, bashing out reams of codes. A typical programer only writes 20 programs in his life. I've done 30 and that's enough."

Berry's sharp mind contrasts with his slow and distorted speech. He set up his business late last year after working for several large and a few small companies, in some of which he was part owner. He charges £350 a day for his services and hopes to turn over about £40,000 in his first full year. Some of his contracts are about to run out and he concedes that he does not have enough on his plate to ensure financial comfort. "I can just earn enough to survive."

Disability adds to the day-to-day costs of the 41-year-old who lives alone though he will soon share a house with his girl friend, a solicitor who also has cerebral palsy. Berry spends close to £2,000 a year on taxis and a pair of shoes lasts only a month. A small, home-based business racks up large costs. Berry's yearly telephone bill is around £4,000. He spends £4,000 on software. Publicity accounts for a further £3,000. The personal computer with printer and fax were a one-off buy at about £5,000.

Berry meets a lot of people and tries never to miss a chance to obtain work. Extra-curricular posts include membership of the Central Transport Consultative Committee. "It can take four or five years from meeting someone to getting business. If I'm in a 'disabled mood' I think it takes that time because I am disabled." Which brings us back to how people deal with disability.

"A major problem is not with me but with other people's attitudes. Some do not want anything to do with disability. They have some sort of problem dealing with it. Then you get the person who laughs. This is often the receptionist. It is staggering the number of places I ring up and even if I ask to speak to a named individual they nevertheless ask if I want the personnel department because they think I'm looking for a job. It's this whole problem of not treating disabled people seriously. I still haven't learnt to deal with it."

Berry still has the sense of humour to clear up any misunderstanding on how you should write about disability. "I have cerebral palsy. If you say I suffer from cerebral palsy I'll kill you."

■ *Andy Berry Associates, 26 Perracombe, Furzton, Milton Keynes, Bucks. MK4 1EP. Tel 0908-501102.*

Cyprus: anxious to keep up standards

***Audrey Powell** considers the penalties and rewards of buying an island holiday home*

SO MANY people wanted to visit Cyprus on holiday this year that the island authorities asked tour operators to cut the number of flights. The island is anxious to keep up the quality of its visitors and does not want them coming on very cheap packages, or with no accommodation booked.

You might think, then, that buying a property in Cyprus and letting to holidaymakers might be good for the owner and for the island's tourism. However, stiff regulations relate to property-owning by aliens in Cyprus.

Officially, non-Cypriots are not allowed to let, although the authorities admit that letting is rampant. The Cyprus Trade Centre in London says it is becoming clear that the government will eventually attempt to control this which might mean that income from letting would be affected.

However, one island estate agent said it was not the money involved that was the problem. The Cyprus Tourist Office did not want people letting without a licence as they might be offering poor accommodation.

Permission to buy in the first place must be obtained from the Council of Ministers. This is usually granted, although with demand by non-Cypriots for property, especially flats, increasing, it could take several months. A non-Cypriot may only own one property or buy up to about two-thirds of an acre on which to have one built. The Cyprus Trade Centre (071-734-4791) is a useful source of information for potential buyers and can supply a checklist of steps to be taken by a non-Cypriot purchasing on the island.

On resale, a non-Cypriot is allowed to repatriate the amount of the original purchase, but taking out any profit must be staggered. This regulation may soon disappear; as Cypriots themselves are now allowed to take out an increasing amount of money, it is increasingly felt to be pointless.

Prices in Cyprus are reasonable and life is easy. There is a wide choice of new property being built both by large developers and small builders. On the other side of the coin, this results in a poor market for resales, if you want to leave.

Many British buyers already know the island, through serving there in the forces or in other work. Some have regularly spent holidays there and buy for retirement, or pre-retirement. That market accounts for a considerable proportion of sales to purchasers, with the island's low tax rates an important draw. The island is of less long-term interest to younger people as non-Cypriots are not allowed to work there.

A disadvantage for some who might like to consider a holiday home in Cyprus is the lack of golf

'A lack of golf courses might put off some potential buyers'

courses. There is a reluctance to use precious water to irrigate. In some areas the general water supply has to be rationed in dry summers.

Even so, you are regularly assured that the first full-size civilian course is going to materialise "next year". Now it is "autumn 1993" and only the greens will probably be green. There is said to be a waiting list.

A shadow still hangs over Cyprus: it has been a divided island since the Turkish invasion in 1974, although the situation has been stable for many years. It is hoped that discussions between the Greek and Turkish sides that have been taking place in New York under the sponsorship of the United Nations, will finally bring about a solution. These are due to resume on October 26. The aim would be to make a federal republic of Cyprus, after approval of an overall framework agreement by the two communities in separate referendums.

This would clearly facilitate its application to join the EC, leading to more regulations, like that prohibiting non-Cypriots from working on the island, being relaxed.

But there are many who do not see the long-running Cyprus question being resolved shortly. Some even suggest that the Greek Cypriot section, the southern two thirds of the island, might aim to join the EC on its own.

Either way, Cyprus is a pleasant island, which gets a lot of sun. The people are friendly, most speak English and as a former colony, they understand British customs.

So, a brief look at a few properties that a buyer might consider.

Leptos, in the development field for 30 years, says its flagship is still Kamares Village, set back in the hills five miles from Paphos and overlooking Coral Bay. It is part way through its 600-villa programme there.

Properties are built to order, taking about 18 months. A two-bedroom bungalow could cost £79,000, but prices depend on design and plot. It has a number of other projects under construction, some are small schemes, some offer apartments and maisonettes.

An increasing number of older citizens attracted by Cyprus's advantages are retiring to the island, says London manager Peter Katsantonis. Special reciprocal treaties between Cyprus and the UK enable pensions to be remitted tax free. Local income tax is levied at the rate of 3 per cent of one's declared income.

Leptos' London office (081-340-8096) can send a free booklet "A Guide to Retirement in Paphos".

There is Cybarco (London tel 071-436-3881), a civil engineering and construction company and member of the Lanitis Group.

Among its latest developments are Marina Beach, in Limassol, close to the sea and the Sheraton hotel and marina, offering two-bedroom apartments from £40,800, and Yialos Village, Larnaca, a beachside development of apartments and bungalows from £27,000.

For a different market it offers Plati Yitonia, in Nicosia, two-storey, four bedroom houses near the national park. These have verandahs, gardens and parking spaces, and are priced from £99,400.

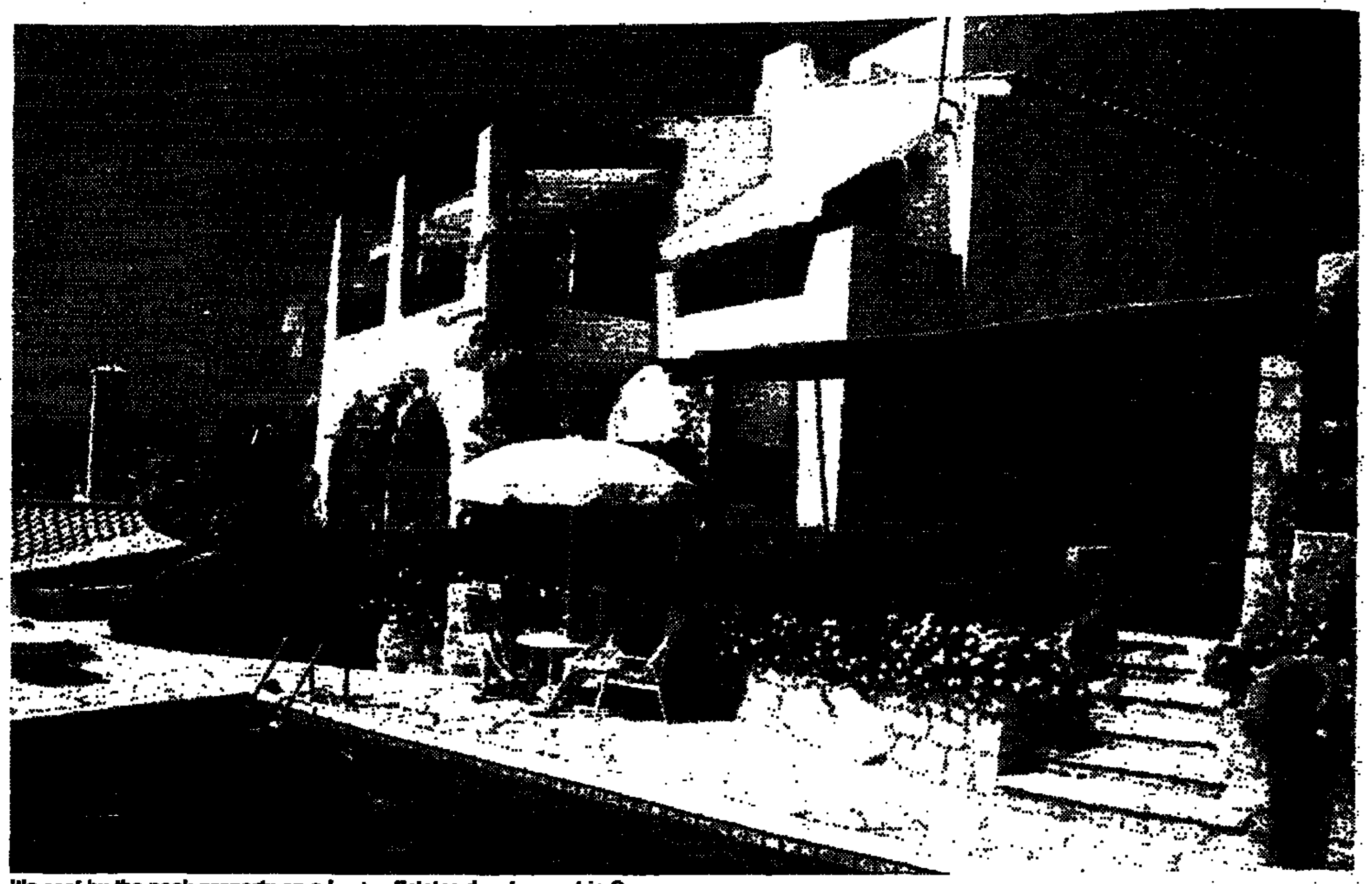
Cosmo Developers (London tel 071-243-2113), established in 1945, says it employs 25,000 people worldwide. Its leisure division includes residential property, hotels and Cyprus's first country club.

It has six projects on the island, in demand both from the British retired but also from families of expats working in the Middle East.

But not everyone wants new property. Somerset-based Babet (0460-76213) points to the variety of scenery in Cyprus, with its wooded Troodos mountains rising 6,400 ft above sea level and its cultivated land growing vines, lemons, olives.

If that is of more appeal, this agency has resales away from the towns and resorts. There is also the 11th century village of Vouni, in the Troodos foothills: "The surrounding mountains are terraced vineyards and Vouni's grapes produce one of the best local wines."

Many of the houses have internal stone arches spanning the width of the property, exposed rafters and timber balconies overlooking the narrow streets. The agency has several of these for sale, some unconverted from £10,800; others already renovated, from £50,400.



It's cool by the pool: property on a Leptos Estates development in Cyprus

Soaking up the sun at Kamares Club, part of the Kamares village development

COUNTRY PROPERTY

COUNTRY RENTALS

HOMESEARCH

RETIREMENT

TRAVEL

Mexico's Chichen Itza — 'Fantastico, no?'

In the Yucatan, Nicholas Woodsworth tackles Mayan maths and astronomy and takes a turn around the square in Merida

"Now this," said Senor Gomez pointing, "is called El Castillo in Spanish. It means the castle. But it is not a castle. It is a highly accurate multi-purpose calendar."

WE TURNED in the direction he indicated, but saw neither a castle nor a calendar. Instead, set in the middle of a vast grassy area where guided tourist groups scurried to and fro, we saw a broad terraced pyramid rising 75ft into the air. Built of grey stone, it was the exact colour of the heavy storm clouds that hung in the sky behind it.

On each of its four sides a steep flight of steps led up to a flat-topped temple at its summit. Like ants on an antheap, the stairs and temple-top were crawling with hundreds of figures dressed in bright red-and-yellow nylon rain-jackets. Rain threatened.

Our own party was a large, mixed group – mostly German, Italian and Japanese – and few of us had an easy command of English. But this did not stop Senor Gomez from delivering his guided commentary in a succession of rapid, jerky bursts that left little time for reflection on what it all might mean. This, after all, was a busy day at Chichen Itza, the most famous of the Yucatan's Maya Indian ruins, and it looked as if the weather might break at any minute.

"Now why do I say El Castillo is a multi-purpose calendar?"

A Japanese lady lifted a video camera to her eye and began filming him. "Well, the Mayas were very interested in measuring time. There are 91 steps on each of the four faces of the pyramid. That makes 364. Add one more for the platform at the top and that makes 365, the exact number of days in one year." He beamed at us as if this explained it all. But there was more.

"Also, the staircases on each of the pyramid's nine levels show the 18 months of the Maya solar year, and the 52 panels on each side show the 52-year periods of the Maya calendar cycle." Senor Gomez was getting into his stride.

"How did the Mayas combine their ritual calendar of 260 days and their solar calendar of 365 days so the same calculations were possible on both? Easy – they found a common divisor. Both numbers are divisible by five. By multiplying five times 52 cycles of 365 days by 73 cycles of 260 days, they obtained 18,980 days, or 52 years, permitting perfect computations within the Maya 52-year calendar cycle."

We stared at him, speechless.

"Fantastico, no?"

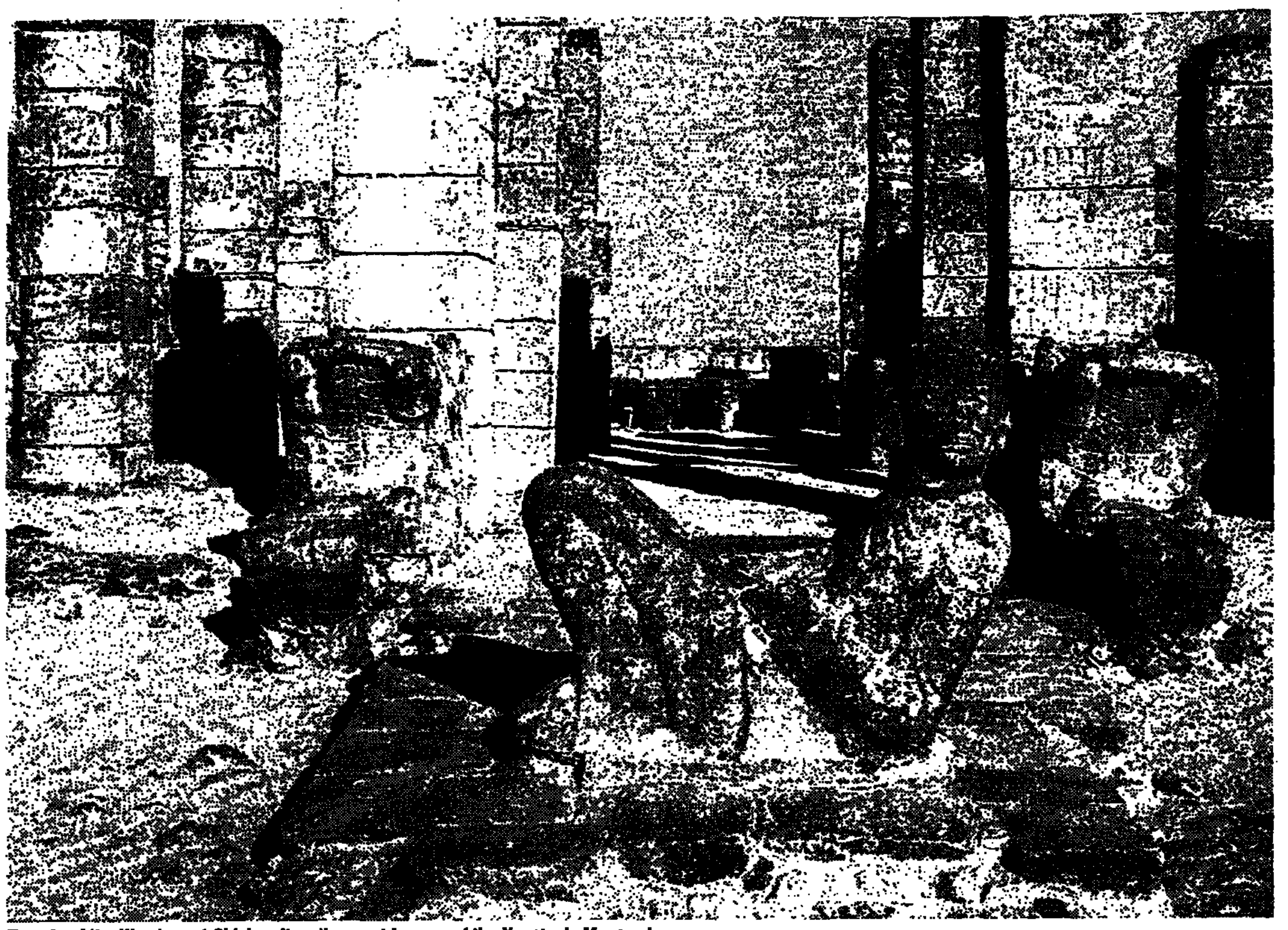
Senor Gomez glared around him, as if waiting to be challenged on the clarity of his explanation. Nobody challenged him. The Japanese lady stopped filming. "Say again," she said.

"No time," shouted Senor Gomez over his shoulder as he strode off across the grass, perspiring in the warm and muggy air. "Now follow me to the Ball Court. It is a very interesting game. Under Maya rules, the captain of the team that won was sacrificed to the gods. It was a great honour. Funny, no? Come. I have many, many things to show you."

I had had enough and wandered off to climb El Castillo. A puffing 91 steps later, I was standing on the top and looking out over the endless, dull green, table-flat jungle of the Yucatan peninsula.

How odd that in the midst of this great expanse of nothing a people more than 1,000 years ago should have built great cities. How much odder that they developed a high theocratic culture with advanced mathematics and astronomy at its pinnacle.

It was scarcely surprising, I thought, that in a tour lasting barely two hours Senor Gomez found himself hard put to explain the complexities of Mayan civilisation. Its subtle yet exacting combination of science and spirituality has baffled trained minds ever since ruined cities began re-emerging from the Yucatan jungles a century ago. Together, Mayan culture and Senor Gomez had certainly baffled my mind.



Temple of the Warriors at Chichen Itza, the most famous of the Yucatan's Maya ruins

But the complexities of prehistory have not stopped Yucatan from becoming one of the most popular regions for visitors to Mexico today. Almost everyone who comes to the peninsula that divides the Caribbean from the Gulf of Mexico is attracted by the lure of the ancient Mayas. They end up enjoying it not just for the ruins of the Mayas of the past – which tend to be overcrowded, commercialised and difficult to understand – but for a special atmosphere created by the Mayas of the present.

Rain began to splatter in heavy, warm drops. Straggling crowds streamed through acres of monuments to seek shelter in refreshment stands and tour coaches. On the way home to our hotels, a long, dreary drive through low tropical bushland, the rain continued to fall in heavy sheets. By the time we reached Merida some two hours later, water had flooded the narrow streets of the town, stalled cars at intersections, and was lapping over the sidewalks.

Unable to stir out, I spent the afternoon watching the rain fall onto the lush vegetation of the inner courtyard garden of the Grande Hotel. A long, cool drink at hand, I lay back in a rattan-woven planter's chair, the kind in which colonials in every tropical outpost from Calcutta to Kumasi have taken their ease. Surrounded by pillastered columns, etched-glass windows, tropical hardwood furniture and slowly-whirling fans, I felt like a Merida sisal king.

In the mid-1850s, some 300 years after the Spanish conquistadors had virtually enslaved the Mayas, Spanish landowners discovered sisal. Used for making rope and matting, the fibre found a ready market in Europe and the US. By the late 19th century, the great plantation owners had made Merida a gracious colonial city boasting more millionaires per capita than any other in the world.

They sent their children to the best schools in Europe, imported treasures from all over the world, and led the luxurious life of an aristocracy. To the baroque cathedrals, governors' palaces and colonial plazas built by earlier generations of Spaniards in Merida, they added scores of French-inspired mansions and the Paseo Montejo – a miniature Champs Elysées.

The boom in sisal is long over but Merida's traditions and independent spirit, like its architecture, food, music and language, remain. For centuries Yucatecans have lived isolated lives on their southern peninsula. Cut off from the rest of the country by vast swamps and jungles, they have always been a group apart, and proud of it.

And what of those Yucatecans who are descended from the builders of the pyramids? Present-day Mayas – many of them remain pure-blooded – may have lost political independence and the ability to calculate precise dates 90m years in advance, but they remain gentle, intelligent, good-humoured people. To anyone coming from other large Mexican cities where traditional *machismo* is so much part of the culture, Merida's 500,000 inhabitants seem an unusually relaxed and friendly lot.

By the time darkness fell, the rain had stopped, the streets had dried, and I was able to venture out for that favourite Merida past-time, the evening *paseo*. Crowds of strollers had gathered on the Plaza Mayor, and Christmas, only days away, had brought to the square a special atmosphere.

Trees, lamp-standards and statues were festooned with coloured lights and paper. At wheeled streetside stalls, dark-haired women in embroidered blouses were selling snacks of fried plantain, roasted corn and refreshing glasses of sweet, almond-flavoured *horchata*. From long poles balanced on their shoulders, ambulating hawkers sold children's toys: balloons, horns, masks and flutes. Dressed in their holiday best, enormous families piled into horse-drawn carriages for an idle tour of the town.

There was no lack of entertainment. Outside the door of the Grande Hotel, a sidewalk *marimba* band was floating hot Latin rhythms out into the night. Up the street in the cathedral, a choir was singing Mozart's *Requiem*. And on the square itself, tiny children with dark, bright eyes were re-enacting the Nativity. In 80°F heat, four-year-old Wise Men in silver paper crowns and cotton-wool beards led a sad-looking Mexican donkey loaded with gifts to a manger in a mock-up Bethlehem.

But I contented myself with just a turn or two around the square. I had work to do. By my bedside table lay a complex tome by the learned Prof Demitrio Morales. Its title: *The Maya World*. Tomorrow I would be visiting Uxmal, another of the Yucatan's great archaeological sites. I was determined this time, with the professor's help, not to be taken by surprise by a certain Senor Gomez.

■ *There are no direct flights between the UK and Mexico. Nicholas Woodsworth flew to Yucatan with American Airlines (London tel: 081-572-5555), which flies via Miami to the Yucatan resort city of Cancun. Car hire in Mexico is expensive – about $80 a day – but many local companies organise tours of Mayan archaeological sites.*

The best time to visit Yucatan is between September and April, when rainfall is at its lowest. Expect, nonetheless, a warm and humid tropical climate, and take rainwear.

In London, information about travel in Mexico can be obtained from the Mexican Tourist Office at 60 Trafalgar Square, WC2N 5DS. Tel: 071-734-1058.

Lecce's wild baroque

***Ian Thomson** visits the Florence of southern Italy*

WATER is in short supply in Lecce, a province situated in the heel of the Italian boot. Rainfall is so light that Horace honoured the region with the epithet *siticulosae* – thirsty. To combat the dryness you might sample a glass of Malvasia di Lecce, a sparkling (and apparently explosive) white wine.

Mooching around Apulia, the author Osbert Sitwell related how a bottle of this wine was uncorked with "immense noise, as of a mine being exploded, while a torrent of sparkling liquid splashed like a golden fountain over a passing lorry. It was like the launching of a battleship; the hubbub was indescribable..."

I suppose the best place in which to sample this wine is Lecce itself, the Apulian town after which it is named. Lecce is a city of baroque run wild under the influence of the Spanish court between 1660 and 1770.

The city then had as many monks as laymen: for the breadth of its ecclesiastical scholarship, it was known as the Apulian Athens. Churches were built with lunatic ornamentation. Their portals are adorned with grinning caryatids and great festoons of foliage; cornices swirl round columns, windows are laden with great swags of flowers upheld by stone trophies or heraldic crests.

Lecce is quite an embarrassment of baroque, a great monument to the stonemason's art. Sitwell himself adored the place. He compared it (perhaps after a bottle of Malvasia) to a giant fruit bowl.

Yet Lecce is still fairly unknown. It must be the rare southern Italian city never to have put Garibaldi up for the night. An 1883 *Baedeker* to the Mezzogiorno has only this to say about Lecce: "Situated in an unattractive district, not far from the sea."

Lecce was discovered by foreigners 20 years later when a British architect, Martin Briggs, published a book in praise of the churches. Briggs relates in *Unknown City* how the flourish of architecture in Lecce was more or less coincident with the designs of Sir Christopher Wren in London.

The colour of the local stone from which churches were constructed is a warm golden brown, and so malleable that you can cut it with a knife. No building was too intricate or decorative that it could not be fashioned from *pietra di Lecce*. Marble itself was hostile to such florid carving – too hard on the chisel.

The supreme expression of Lecce baroque is the Chiesa di Santa Croce. It took 150 years to build and the façade pullulates with detail: fantastic monsters adorn a rose window of wedding-cake fanciness, miniature angels flit to and fro along the conduits. The architect Antonio Zimbalo (nicknamed *Il Zingarello* – Little Gypsy) was responsible.

Much of Lecce as it stands today is the product of his lunatic design. Zimbalo's efforts were rooted firmly in renaissance classicism, but they are more miracles of decoration than architecture.

Piazza del Duomo, a theatrical showcase, was once the administrative heart of Lecce. It is a rare example in Italy of a completely closed square. There is nothing quite like it, I think, in Europe. The cathedral, rebuilt in 1659 by the ubiquitous Zimbalo, is an illustration of how even the decorations in Lecce have themselves been decorated: there are angels everywhere.

To the right of the cathedral stands the magnificent seminary. This was designed by a student of Zimbalo's, Giuseppe Cino. Scrollworks of sandstone are patterned like icing on a cake; a communal well in the courtyard appears to sprout clumps of giant broccoli (actually stone pomegranates) that have been split to reveal the seeds inside. This is *barocco leccese* in all its fancy futility, insanely ornamental.

The weird and wonderful Chiesa del Rosario, Zimbalo's last work, is larded with stone vases of fruit and flowers, giant acorns, chiselled peacocks which peck at melon, pear and fig. Its cloisters have been commandeered by the Italian government's Tobacco Administration.

Lecce is not all *bijouterie baroque*. The curious Missionary Museum of Chinese Artifacts will delight any sinophile. Dusty rooms are cluttered with 12th-century Chinese coins, buddhist figurines, bronze statuettes of Kubla Khan, together with tools and weapons made by the "aboriginal peoples of Formosa."

For some reason the museum also contains more than 200 specimens of crustaceans in a marine fauna section. Nearby in Piazza Sant'Oronzo, dominated by a bronze statue of the city's patron saint, stand the remains of a Roman amphitheatre. Sunk below ground, the archaeological site is littered with slabs of stone that show gladiators gored by bulls, or fending off lions with spears.

In a province of stout Norman churches and restrained Romanesque cathedrals, Lecce will come as a glorious surprise. It is the Florence of the Italian south.

Lunch in the Grand Hotel of Lecce (a magnificent Edwardian establishment whose interminable corridors nevertheless bring to mind a state penitentiary) should, of course, be accompanied by a bottle of Sitwell's Malvasia. The wine will not explode, only effervesce.

Soccer/**Peter Berlin**

New package, same old product

ENGLISH *soccer's top* division has a new brand name and a new logo, but just six weeks into the FA Premier League's first season it is clear that the product has not improved. The league has changed the colour of the referees' shirts and added five minutes to half-time, but, for the most part, can offer only the same teams serving the same rubbish. *Away from the grounds*, television is awash with mediocre football and the back pages of Britain's newspapers are dominated by the squabbles of club chairmen.

The chairmen are not arguing about how to play football but *about money and power. The great*est irritant is television. Successive rounds of TV contract negotiations have left a legacy of anger, suspicion and resentment.

The Premier League has its roots in the TV negotiations of 1988. The biggest clubs threatened to break away and take their ratings with *them if the league did not sign* the deal with ITV that they favoured. The top clubs won, but remained unhappy about subsidising their poorer brethren. Finally, the rich staged their revolution against the poor last year when the first divi*sion broke free of the other three.*

The medium-sized Premier League clubs believe that the ITV deal worked against them. ITV concentrated on the "Big Five" clubs which had supported them, bestowing on them the generous "facilities fees" the deal contained and allowing them to cash in on the exposure *gained through perimeter advertis*ing – worth up to £80,000 for one live game – and generous contracts from sponsors and kit makers eager to share that exposure.

Ken Bates, chairman of Chelsea, accuses ITV of having a "blacklist" *of clubs which voted against its* offer. Ron Noades, chairman of Crystal Palace, says he used to start each season £1.5m down on the top clubs. "I can swallow lower gate receipts and merchandising revenue, but the big clubs were using money to which they had no moral right to fleece us."

In May the Premier League clubs accepted a five-year deal from BSkyB, the satellite broadcaster, with the BBC tagging along. It guaranteed £200m over five years: £40m a year for 60 live games on satellite plus highlights on BBC. ITV bid *£30m-a-year for 30 live matches and* had indicated it would go higher.

"It was a revenge vote," says David Dein, vice-chairman of Arsenal. Noades says: "I wanted a partner. I was not so interested in the best offer."

The contract was cunningly constructed by BSkyB. It guarantees *every club live games which bring* with them £60,000 "facilities fees." But BSkyB's audience is tiny compared with the terrestrial channels. Its sports channel has just over 1m subscribers, its rivals reach 25m homes. The terrestrial channels *have hit back with live matches* from the old second division and the Italian first.

The big clubs are unhappy. Dein says: "We have got over-exposure of soccer on television. We have gone down a branchline and left the mainline free for others. Football could suffer from over-exposure."

The *smaller* audiences *have* hurt perimeter advertising, down to around £5,000 for a live match, and threatens sponsorship revenue. Perimeter advertising united the dissidents and sponsorship gave them the chance to exact their revenge. *In September, eight* clubs which had united in the "Platinum group" to sell perimeter advertising were the only eight to vote against a £3m sponsorship offer by brewers Bass. Under the Premier League constitution, eight votes are enough *to block any proposal.*

Behind the disputes there is a difference in the vision of the league.

Bates says: "The whole concept of the league was to create an élite away from the candyfloss – a league which would give you strength in depth unparalleled in the rest of the world."

But strength in depth is no good to the top clubs, which want to be able to match *Europe's élite:* AC Milan and Marseille in the increasingly lucrative and time-consuming European competitions.

But these goals are often lost behind the grudges. Parry asks forlornly: "Why are we talking about *stuffing people over several thousand pounds?*"

"There are a lot more important things in football than arguing about Bass sponsorship," says Noades. "We ought to be talking about the quality of the football."

American Football/**Patrick Harverson**

Cowboys ride high once more

ON Christmas Eve, 1989, after a hopeless Dallas Cowboys team had crept out of Texas Stadium following the final home defeat of a season in which they won just one out of 16 games, despairing Texans sought solace in a joke about Tom Landry, the legendary Cowboys head coach who had been unceremoniously sacked the year before.

"*Landry,*" *they said,* "*wanted to get* as far away from pro football as he could this season – so he came to Texas Stadium."

*The club which had been known dur*ing coach Landry's great years in the 1970s and early 1980s as "America's Team", had become the butt of most of the bad jokes in professional football.

Less than three years later, the Cowboys face the Philadelphia Eagles on Monday night in a game that matches two genuine Super Bowl contenders, and no one is cracking jokes about the team from Dallas anymore.

If the Cowboys go on to win the Super Bowl this year (and judging by their performances so far, there are plenty of reasons to suspect they can), *it will be the shortest rags-to-riches* story in the history of the National Football League.

After their feeble single-win season in 1989, the Cowboys improved rapidly. In 1990 they won seven out of 16. Last year they won 11 and reached the play-offs, where they went out in the second round to Detroit.

They have already won their first three games of 1992, including impressive victories over the two most recent Super Bowl champions, the Washington Redskins and New York Giants. If they beat Philadelphia on Monday night, the odds on a Cowboys championship will shorten considerably.

That Dallas has come so far, and so quickly, is a testament to the work of two men: Cowboys' owner Jerry Jones, and head coach Jimmy Johnson.

When the Arkansas-born Jones bought the Cowboys in February 1989, he earned the immediate enmity of Texans everywhere by sacking Landry who had led the Cowboys for their first 29 *years and taken them to five* Super Bowls, and ousting Tex Schramm, the club president and the only other Texan more revered than Landry.

Although the first season was a disaster, it provided the new owner and coach with the opportunity to dismantle the team and start over again. From the summer of 1990 on, Jones and Johnson set about rebuilding the franchise from scratch in an unprecedented burst of activity that involved big trades, rapid contract signings and astute use of the draft system that brings college players into the pros.

The *most dramatic move* was the first. In October 1989 the Cowboys' one true star player, the running back Herschel Walker, was traded to the Min*nesota Vikings in exchange for five* players and seven picks in future college drafts.

Rising star in Texas: the Dallas Cowboys' young quarterback Troy Aikman

Jones said recently: "I didn't really have a timetable when I got here in 1989, but I had a commitment to use every avenue to upgrade the talent, even if it meant sacrificing a win or two."

At the time Jones and Johnson were vilified for the trade, but it has since proved to be one of the most one-sided deals in the history of American sports. Walker had a disastrous time in Minnesota, and he is now trying to rebuild *his shattered career at Philadelphia* (which should add some extra spice to Monday night's game).

Johnson has said: "If we were concerned about respectability that first year, we would have kept Walker . . . and tried to win two or three extra games. But that wasn't going to get us to the Super Bowl."

Among the players Dallas eventually got as part of that deal were running back Emmitt Smith, defensive tackle Russell Maryland, one of the heavyweights in the defensive line, and Kevin Smith who plays cornerback, *defending against the other* team's wide receivers. The three players now form part of the foundations for a championship team. While Maryland has the potential to be a great player. The powerful, fast Emmitt Smith has already achieved that status. Last year he was the best running back in the NFL, with 1,563 yards to his credit. With wide receiver Michael Irvin, who gained more yards catching passes than any other player in the league last year, and the young quarterback Troy Aikman, *the Cowboys have one of the most* potent air and ground attacks in football today.

After the Walker trade, the Cowboys picked up the pace. In 1990 they signed a record 16 free agents (players without contracts). The following year all 17 of the team's draft choices were under contract by the time the 1991 season started, and a back-up quarterback, Steve Beuerlein, was acquired from the Los Angeles Raiders.

Dallas have orchestrated an astonishing 42 trades in the last three years, and why they try not to waste time signing a free agent or gambling on a college draftee.

"Whatever we need, we make an effort to get, and we don't have to go through a committee to get permission," said Jones.

Last year, the Cowboys made four top draft picks, all of them defenders brought in to shore up what was perceived to be the team's biggest weakness - an inability to defend effectively against opponents who pass much more than they run.

The final piece in what could be the Cowboys' Super Bowl puzzle appeared this summer, when Dallas picked up Charles Haley from San Francisco. Haley is an intimidating defensive player expert at disrupting opposing *quarterback's pass plays. More impor*tantly, he is a natural leader, an essential commodity on the youngest team in the NFL (average age: 25). With the players in place, coach Johnson has designed a playbook built to exploit the team's two strengths: speed, and skill. In doing so, he is trying to break the mould of power football that has traditionally dominated their NFC East division.

After a solid start last year, the Cowboys reached the playoffs on the back of a five-game winning streak built on three characteristics: an ability *to "make the big play"; an ability to* score consistently when inside the opponents' 20-year line; and an ability to avoid mistakes. Add these qualities to the calibre of the top players, the youthful enthusiasm of the squad, and Johnson's intelligent coaching, and Dallas has all the ingredients for a Super Bowl year.

Conventional wisdom in the NFL has it that teams should pay their dues before winning a Super Bowl (ie, spend at least half a decade rebuilding). Yet the owner of the Cowboys believes they are ready for the title this year.

As Jerry Jones has said over and over again this season: "Why not us? Why not now?" Why not indeed.

Golf

Play like a woman

***John Hopkins** offers some advice to male golfers*

A FEW years ago Laura Davies was playing in a pro-am in Palm Springs, California. The members of her team were all men and she worked hard to help them judge distances, select clubs and read putts. There was a lot of laughter and lively conversation from the group who were nearly all English.

The main aim of Davies's team was to combine well and win one of the handsome prizes that were on offer. It soon became clear, however, that there was another compe*tition going on. It was the bat*tle of the sexes. The aim in this competition was to outdrive Laura.

One player became almost a caricature of the type I shall christen "The Man whose Masculinity is at Stake". His eyes bulged with concentration. He gripped the club so tightly that the muscles in his forearms stood out. He stopped at nothing to do the ball a mischief.

It was hopelessly one-sided. Davies, the biggest hitter ever *in women's golf, once* drove a ball 340 yards and regularly drives 260 yards. Few men can compete with her in this department and, frankly, it is pointless to try.

But that is not to say there is nothing to be gained from watching women's professional golf. The opposite is the case. Most men amateurs can learn far more from watching a women professional golfer than from her male equivalent because the game of the aver*age player has much more in* common with that of women professionals than with that of Seve Ballesteros. So the text for this morning is this: why can't a man be more like a woman?

Women professional golfers are prey to the same self-doubts that plague men. You do not like fast downhill putts? Neither do they. You find long bunker shots hard? So do they. Worried about shanking the occasional chip? So are they.

Men are reluctant to admire or learn from anything that is not male. They dress in their Nick Faldo shirts, with their Ballesteros rainsuit in their bags, tee up their two-piece high compression ball and stand on the first tee of a monthly medal hoping they won't make a complete hash of things. Faldo does not have the same fears and nor does Ian Woosnam. But many women professionals do.

"I know that when I am playing a downhill chip from a bare lie I am saying to myself: 'Keep your head still. Don't make a fool of yourself,'" says Kitrina Douglas, a member of Europe's Solheim Cup team *which is competing against the* Americans at Dalmahoy, Edinburgh, this weekend.

A golfing partner of my father's remarked, tongue in cheek, last week: "I like watching the women play golf because I like to see their figures and look at their legs but what I really like to watch is the rhythm with which they play golf."

Long driver: Laura Davies

This is the most obvious area in which men can learn from the women. Women have to acquire good rhythm because that is more than half the secret of hitting the ball any distance. This lesson was brought home to me when I played in a pro-am with Douglas. Bad weather restricted us to nine holes but this was long enough for her to demonstrate the *repetitive rhythm* of her swing and her remarkable accuracy. After about six holes of watching this, a funny thing *happened to me. I started* swinging more slowly, too. And sure enough, I hit the ball better and further.

Another area where men can improve is in their attention to the short game. Men practice their long game, if they practice at all. Women do not ignore this department but they do not concentrate on it at the expense of their *short* game. "When men practice they practice hitting their drives as far as they can" says *Davies.* "They *think they miss* a lot of full shots. But if they think about it I reckon that nine times out of ten if they miss the green they do not get up and down. They need to work on their short games. All amateurs are let down by their short game."

Helen Wadsworth is in her second season as a professional on the European tour and already she has noticed some characteristics among the men who play with her in pro-ams. *The first is their tendency to* underclub and to talk about their own game. The second is their inability to accept advice.

Bertie Wooster was once moved to remark: "Women, the way I looked at it, simply couldn't do . . . what a crew! What a crew! I mean to say, what a crew!" I beg to differ. Women are there to be learned from, however hard it is for the male ego to accept this. If you do not believe me then go to Dalmahoy today or tomorrow and see *for yourself.* You will be all the better for it. And your golf will improve, too.

Despatches/**Hugh Carnegy**

Farcical skirmish in a niggling, weary little war

LAST Saturday, my family and I were victims of what the police report described as an "act of hostility against Israel." It was likely, added the report, that it was carried out by "a hostile organisation" or "foreign military forces" or "infiltrators." The Israeli government is going to pay for the "war damage."

None of us – my wife, myself and our *three small children* – was hurt or even threatened with injury. Only our car was smashed up by a gang of Palestinian likely lads, and we were not in it.

It was as far removed from a real war as you could imagine. But it tells you much about the weary impasse that the Israeli-Palestinian conflict has reached and, perhaps, a little of the reason why the two sides are now engaged more deeply in peace talks than ever before.

Here is what happened to us.

Some time between the Weetabix and the day's first cry of "Mummy, I'm bored," my wife and I decided the 4½-year-old Palestinian uprising in the occupied territories had subsided enough for us to feel confident about a family outing to the West Bank town of Hebron, about 20 miles south of our home in Jerusalem.

With specially-installed strong plastic windows, a Palestinian *keffiyeh* scarf displayed prominently and a "foreign press" sticker on the windscreen, we reckoned we were insulated well enough against the occasional *intifada* rock-thrower out to hit cars bearing the giveaway yellow Israeli licence plates.

Our judgment seemed justified. We spent a couple of happy hours visiting the Hebron *souk* (camel heads hanging outside butchers' stalls a speciality) and a local glass blowing factory, and the locals gave us the warmest of welcomes. But on the way back, just before Bethlehem, we turned off the main road to visit Solomon's pools, ancient reservoirs set in attractive countryside which used to supply Jerusalem's water. We parked in the shade of a tree and went off for a walk, ignoring the several groups of young men milling about the pools.

As we were enthusing about the pleasures of tension-free sightseeing in the West Bank, a nice young fellow approached us. "Is your car up there?" he asked, pointing to where we had parked. When I said yes, he told us: "Some boys – they are . . ." He waved his arms up and down and made ominous crunching noises. "You must hurry," he added.

I needn't have bothered; the deed was well done by then. The reinforced windscreen had been smashed by a rock the size of my head while the doors had been sprung open and some interior panels ripped off.

The outside had been given a good kicking, some of the lights were crunched, and the car had been heaved backwards into thick bushes. What lit*tle was inside had gone, including the keffiyeh.*

As I cursed my stupidity, an old Fiat pulled up. Two young men, bearded in the fashion of Hamas, the Palestinian fundamentalist group, looked at me with an air of amused satisfaction. But as they heard me speak, there was a frown of doubt.

"You are Jewish?" the driver asked.

"No, I'm British."

"Oh," he said. He conferred with his friend. "Would you like us to help?" he *offered with what I thought was rather* a contrived air of innocence.

Suddenly, the car was surrounded by *shebab* – young men – all absurdly solicitous, the more so when they saw blonde-haired Fred, Hannah and Patrick arrive on the scene. "Smash car?" *asked two-year-old Patrick, clearly* pained that he had not been able to join in the fun.

"Blimey, guv, who would do such a terrible thing?" is a rough translation of what the *shebab* said as they helped clear up some of the mess they obvi*ously had created moments before.* They beamed happily at the camera as my wife took souvenir photos.

To the Israeli police in their fortified station in Bethlehem's Manger Square, just across the street from the Church of the Nativity, ours was a tiresomely *routine case. They seemed* relieved not to find any fingerprints. Just give a statement, sign the forms for compensation for the repairs, and you can go home. "Next time you come, don't go to Solomon's pools," said officer Yossi Cohen. "Just come and drink coffee with us."

Of course, it is a mistake to read too much into an event like this. There are, after all, still people getting killed in the *intifada*. If you are a Palestinian in a refugee camp under curfew, it is no *laughing matter. Nor is it a joke for* Israeli soldiers patrolling those refugee camps. But I cannot help feeling that what happened to us last Saturday was a sign of how cynical resignation has set in on both sides.

The Palestinians, hopelessly outgunned, have proved unable (or unwilling) to mount a sustained IRA-style campaign of ruthless, sophisticated violence that might have dislodged Israel from the occupied territories. Our friends at Solomon's pools were hardly of the SAS image conjured up by the official label of "foreign military force." Yet they were part of the stubborn, niggling refusal to accept Israeli rule that has made Israelis realise they can stay in the West Bank only under hostile conditions.

Each side keeps up the rhetoric of a war – but each side knows it cannot win. So now, at last, they are talking peace instead.

As They Say in Europe

Germany hits back

Die Welt captured the spirit of the week in Anglo-German relations: "The Bundesbank cannot allow British politicians to fabricate the myth that the pound was brought to its knees by a German throw of the dice . . . the Bundesbank spent billions to support the sickly pound. It was no use because the British economy was in too bad a state. In fact, it was the *English themselves who sold* their money for harder currency, because they were realists, unlike their government . . ."

Until the *FT* published the Bundesbank's disrespectful comments on UK financial strategy, things seemed to be settling down in Europe. The British had friends: close ones, *too. La Presse de la Manche* (or Channel-Press) serves a region where most people voted No in the referendum and the clean, fresh wind blows in from England.

It wrote: "John Major, above all, does not want to break the thread that links him to the Continent; he knows the future of his country is in Europe. That is what the French people basically voted for on September 20. Yes to Europe but not to any old Europe, and a Europe where each state will feel at home . . . preserving its culture but open to all. It may be that John Major is right and that he is a good European."

So, for a brief moment, many were ready to accept the virtues of others. Too many, according to Alberto Recarte, "a commercial official of the state" writing in *El País*.

He argued against a view that is gaining ground in Madrid. " . . . many Spanish politicians think the Italian model is not so bad. When all is said and done, Italy has only had to devalue, leave the ERM and become an example not to be followed. If that were the sole price to pay, I would be with the 'Italianisers' - any policy is better than importing the deflation of recent years." But he decided the Italians had got away with it for so long because they had a trade surplus, unlike Spain.

The Germans may have thought they were taking other people's arguments seriously when they cancelled the official celebrations of the 50th anniversary of the V-2 rocket. The press had been opposed to the project and *Südkurier* welcomed the change of heart: "The public outcry of indignation remains. That should alarm us all.

"However, what we saw was not a new nationalism but a brutal loss of memory, and of a sense of history which is seamlessly linked to the fire attacks on refugee asylums and even to justifications for the Third Reich. That is a picture of Germany nobody can be proud of."

The *Frankfurter Allgemeine Zeitung* managed to pull a number of issues together and, unwittingly, foreshadowed the deepening crisis in writing about the V-2 affair. "The circumstances in this case strike at Anglo-German relations which, in recent months, have suffered a number of blows.

"At present nothing works, one accident after another with both sides tumbling over themselves to upset the other. Everything in German foreign policy - and no less in British - can work only on the basis of close co-operation which also includes France and America . . . The restructuring of a defensive alliance into an alliance for reconstruction has not succeeded. The restoration of Germany and the return of the Germans as one of the great nations of Europe has led to a collapse of solidarity."

■■■

IT SEEMS you need nerves of steel to run local government in Spain. The *Heraldo de Aragon* reported on the municipal finances of the regional capital. The city of Zaragoza borrowed SFr160m three years ago, so that debt has now risen by Pta1.2bn as a result of the devaluation.

But, the paper continued: "This debt, according to city officials, is compensated by the profits obtained in previous years which had been made by changing assets into dollars and marks at favourable moments." It also noted that the city authorities had made this year's debt payments a mere 10 days before the peseta was devalued.

James Morgan

■ *James Morgan is diplomatic correspondent of the BBC World Service.*

FASHION

Hemlines: it's a long story

Lucia van der Post discovers how to wear this season's hot new skirt

IN BETWEEN worrying about the big issues - the ERM, mortgage rates, unemployment . . . you know the sort of thing - what is really creasing the fashionable woman's brow this autumn is: will she or won't she take to the longer skirt?

On catwalks, in store windows, in glossy magazines and snazzy boutiques the long skirt reigns (nearly) supreme. But wander round the stores, go to a chic little gathering or to a private dinner party and what is everybody wearing? Curvy little suits with snappy short skirts, that's what. And if they are not wearing curvy little suits they are more than likely wearing trousers.

Part of the problem seems to be that few people are sure how to wear long skirts. After the sassy, sexy short skirt which we had all learned how to wear (opaque tights and pumps were all it really needed) the long skirt seems fraught with perils. It can so easily look dowdy and frumpy.

Suzie Faux, who runs the *tres tres* chic Wardrobe boutiques and is a dab hand at transforming the most frumpish of customers, believes that almost everybody can wear the new long look. "It just needs careful attention to the legs – the skirt should never stop where the leg is at its fattest. On some people the best length will be near the ankle, on others a little below the knee. There is no substitute for trying them on and experimenting with lengths and with jackets. I have found that most of my customers look best with a belted jacket that covers the bottom. It must on no account be skimpy. It also needs the right shoe – Robert Clergerie does a wonderful shoe, Samba, which has a platform heel so tiny that it is more like a double sole. It looks perfect."

This year's long skirt should be soft, flowing and very feminine. Many of the best come tied sarong-style at the side or with slits, allowing – but decorously – quite a lot of leg to show. After all, nobody wants to waste the effects of all those aerobics classes.

This week the fashion page talks to some women about town who have already decided that they won't be without a long skirt this autumn . . .

DONNING a long skirt means more than just a change of hemline – it means a complete change of mood. If it is not to look dowdy or ageing then a real touch of glamour is required. Think of all those goddesses of the silver screen and you will get the drift. The no-make-up face has gone, the bare nails, the cropped hair – in their place are defined eyebrows, deep-set eyes, full lips, painted nails, full hair. It is good news for the make-up houses which have cashed in on the mood and brought out strong new ranges to help customers create the right look. In cosmetic-house-speak the look for the winter requires "smokey, smouldering eyes" and "very coloured lips." You can't go wrong if you remember to think glamour, glamour, glamour.

EDWINA WILLIS-FLEMING is manageress of the Loewe shop and being nearly 6 ft tall with the kind of figure that would look good in a potato sack she has been able to don the new long length without any of her shorter sisters' qualms.

She is wearing long skirts partly because they are in fashion, partly because they make a change from short and partly because she finds them very elegant and easy to wear. She thinks it "has brought a much-needed breath of fresh air to the fashion business. Depending on how they are worn, they can have huge sex appeal. So much more is left to the imagination, which is always more beguiling."

She finds them very versatile. By day she wears them with a ribbed polo neck, a pair of ankle boots and opaque tights. At night she would choose something with a slit at the front with high heels, perhaps with slight platforms, and sheer tights.

She also thinks it needs careful accessorising and she chose pieces, like the choker, which work with what she calls "the modern, classic forties look."

■ **Edwina wears a long straight burgundy Nubuck suede skirt, £660, a burgundy/mustard printed silk shirt, £470, and a black leather "gold"-buckled belt, £130. Black court shoes, £140. All from Loewe, 130 New Bond Street, London W1.**

JINNI Featherstone-Witty, left, works for Kleinwort Benson in the treasury division and spends most of her day in a world of men. She hates shopping and finds that trying to look appropriately dressed in a business sense and to be fashionable at the same time is a challenge. She likes Laura Benjamin's shop off Walton Street because "I am not a standard shape and Laura will take that into account.

"I am keener on the new long look this time round – it is more feminine and more flexible and though I am worried about covering up one of my assets – my legs – I still think they can be made to look very attractive. I notice in the City that women are beginning to wear them and I think as soon as the weather gets colder we will see many more. I travel a lot and need clothes that pack and can look good. I always kept some skirts that were on the knee rather than above it as they were so much easier for travelling. I think the new look is very helpful for people like me who need a look that is both fashionable and suitable for office life."

■ **Jinni is wearing a black wool skirt with a slit up the front, £189, and a checked tweed jacket, £385, all from Laura B, 25b Walton Street, London SW3.**

LADY DAVINA ALEXANDER, who runs her own business as a special events consultant to a number of upper-crust companies such as Chaumet, the jewellers, and Charles Heidsieck, needs to have clothes to dress the part.

"I used to have to look smart just occasionally during the day and in the evenings when we were going out, but now I'm in a business where I need to look fashionable almost all the time. I suddenly felt that all my existing clothes were obsolete so I thought I ought to try the new longer look. I was worried that I wasn't tall enough but I started trying things on and experimenting with jacket shapes and I think that it can be made to work.

"I have to say I'm still experimenting with it – I am not entirely convinced yet. One of the problems is that it needs a whole new wardrobe of shoes. It needs a thicker, chunkier heel and I am just going to have to go out and buy them."

■ **Lady Alexander wears a red wool jacket, £395, and a black bouclé wool skirt with a slit at the side, £185, both from Laura B, 25b Walton Street, London SW3. The shoes are R.O.U.G.E. by Pied-A-Terre, 14, Sloane Street, London SW1 and 122 Draycott Avenue, London SW3, £169. Jewellery by Chaumet.**

JENNY HALPERN, above, who runs the fashion public relations for Joseph is photographed here in her favourite long skirt – a side split suede version – but already she feels that somehow "it does not seem fashionable to wear a short skirt."

She finds the new length not so practical for work and worries that the sexy split on the side might be thought provocative, so she still tends to stick to leggings for every day. However, whenever she feels the need to dress up a little she dons one or other of her clutch of long skirts – either the suede one or a tiger print version with a side split or a long knitted Tricot skirt which has a slit up the back.

For the evening Jenny puts the split in the middle and during the day she wears it at the side. She wears the skirt very simply with an Equipment shirt or a long top. On her feet she wears Sartore low-heeled knee-high boots and if she were to wear shoes they would have to be high with a chunky heel.

Jenny is not throwing away her short skirts but she has definitely set them aside for the moment. "It is time for a different philosophy of dressing, for thinking about fashion in a new way."

■ **Jenny wears a long suede wrap skirt, £399, with a tiger-print silk Equipment shirt, £130 and brown Sartore boots, £230. All from Joseph, 26, Sloane Street, London SW1 and 77 Fulham Road.**

Photographs by Trevor Humphries and Tony Andrews

Fond farewell to a strict mistress

***Jancis Robinson** — and 1,900 pink roses — salutes the end of a tasting era*

TOWARDS the end of the night Lalou Bize-Leroy confessed it would be her last September tasting. The last time she would spend a week preparing her sumptuos Burgundian farmhouse for its annual influx of the great and the good in the wine buying and wine writing worlds.

Every September since 1964 they have climbed the hills above Meursault, in their Mercedes and Porsches, to be ritually humiliated.

Many of the world's more reputable wine tasters will sleep easier now, safe in the knowledge that never again will they have to participate in this famous blind tasting competition, although the wines were so good that it always seemed worth running the risk of making a fool of oneself. This year, for example, we were served 33 different vintages of the great red burgundy, Le Chambertin, back to 1933. All we had to do, as mystery glass after glass washed over us, was say which year was which.

Lalou, as we all call her, as though she were our intimate, is probably the wine world's most famous woman, most famous at the moment for a bitter, public and extremely expensive dispute with her former business partner and her sister. But she is famous for far more than being the former co-director of the fabulous Domaine de la Romanée-Conti who has so infuriatingly set up her own rival Domaine Leroy along the village back streets of Vosne-Romanée.

An awesome, and unusually glamorous, taster, she is passionate about her wines, and now vines, almost to the point of clinical mania: The grapes that arrive at her newly-equipped winery are treated, as she says herself, like the most tender strawberries.

Showing me six men poring over the slowest sorting belt, the shallow trays in which the grapes are transported, the holes deliberately punched so that any excess moisture simply runs away, the serried ranks of brand new wooden vats and the specially-designed cruising metal substitute for the more brutal human foot, she asked helplessly: "Surely any *Financial Times* reader would be horrified by the craziness of this sort of investment?" (around £8m to make hardly 7,000 cases of wine a year).

In the perfectly-kept cellars below, French wine oracle Michel Bettane and I are taken on a cask-by-cask tour of the 1991 vintage.

Thanks to her fastidiousness, and her gifted and compliant winemaker André Porcheret, they are marvels of geographical expression. But even in the one or two cases where we express the minutest reservation, *we are corrected*. No mother is more besotted.

In the great Richebourg vineyard we are asked to marvel at the smallness, riponess, paucity, upright stance of her "biodynamic" grapes – especially in comparison with those of a particularly famous holding next door... This is a woman whose idea of relaxation is to pit her tiny frame against a rockface.

The stated purpose of her September tastings is to make her guests taste great burgundy with due attention, but it has not always felt like that. Lalou, in Chanel or perhaps Lacroix, welcomes her guests *outside with a glass of mystery* white, her stilettos crunching the gravel that separates her stone farmhouse from the ancient trees encircling it.

In 1988, my initiation year, guests included Bocuse the chef, Broadbent the auctioneer, Duboeuf the Beaujolais, Donnecq the sherry, Wasserman the broker, as well as a host of collectors and writers from both sides of the Atlantic.

Lalou: passionate about her wines

This year there was a significant Japanese presence – hardly surprising since Lalou's important new vineyard acquisitions have been heavily financed by her Japanese agents Takashimaya. Eventually, we take our places inside where sideboards are already charged with the lobsters, écrevisses, wild rice, pâtés, sweetbreads and sweetmeats *that have been pouring out of Lalou's* kitchen over the last few days. (Hers is surely the only table in France where truffles are easier to find than bread.)

Yet another perennial distraction from the dozens of mystery wines to come has been a heady array of flowers, this year no fewer than 1,900 pink roses in that perfect state between bud and bloom. But the most daunting aspect of the tasting is that each of the 50 or 60 guests, many of them senior figures in the world of wine, is given a notebook, from which we have to hand in to Miss a page of our guesses for each flight of wines.

"One point will be given to each correct response," it says. Sure enough, the denouement of each September tasting has been the announcement of the "winner". The late Jean Troisgros usually managed more points than most, but an outsider would probably be appalled by how few points are scored.

Lalou may patrol the room declaiming the obviousness of various wines but, as Michael Broadbent of Christie's, author of several wine tasting bibles, freely admits: "I always make an absolute balls of it."

Michel Bettane, who has occasionally been top scorer, managed just 4 out of 40 one year, as did Matt Kramer, author of *Making Sense of Burgundy*. This year's winner, Martine Saunier, Lalou's all-important American importer identified 11 vintages out of the 33, for example.

We shall all miss our annual humbling. In fact, the whole equilibrium of Burgundy seems upset by what has been a financial humbling for Lalou, who has lost the lucrative rights to sell Domaine de la Romanée-Conti wines (which used to account for three-quarters of Leroy's turnover.)

In its vast and sepulchral warehouses in Auxey-Duresses, the old negociant business of Leroy still holds millions of pounds' worth of the older vintages Lalou used to buy in before turning *vigneronne*. She had been hoping that American guru Robert Parker would come to her tasting this year and move a bit of stock by writing nice things about those venerable Chambertins.

She says that in future years she may hold some sort of tasting not at home but at the new domaine Leroy in Vosne-Romanée. It should certainly be exposed to as many wine drinkers as possible, as a shrine to single-mindedness.

Grand Hotels

My kind of place in the Big Apple

***Jancis Robinson** stays at the Lowell and **Nicholas Lander** at the Mark in New York*

IF YOU listened to all the advice from Gerry Frank, author of the invaluable *Where to find it, buy it, eat it in New York* you may never stay in that fascinating city.

Do not, he advises, give out your room number to strangers, charge calls to your room or touch anything in the refrigerator. And, in the present depressed climate, do not accept the quoted room rates. All kinds of deals are possible.

Many of the city's newer hotels were planned in happier times. You can choose from: Essex House, Mercer, St Regis or Ian Schrager's trio, Morgan's, Royalton or the Paramount. And, as befits a city where the dollar is king, the competition is fierce, particularly between two sumptuous hotels situated within a block of New York's greatest natural asset, Central Park.

The Lowell

It is rare to encounter a hotel bed you would happily substitute for your own back home but I did, last May in Manhattan, in suite 14B of the Lowell, a determinedly small, discreet hotel on the Upper East Side that is part-British owned.

It is significant that the Lowell is the only member of the French-based Relais & Chateaux hotel and restaurant group to be found in New York City. Its decor and spirit are deliberate throwbacks to a quiet but grander age. One friend told me she had seen Mickey Rourke in the tiny lobby, another that New York's most eligible bachelor (ie a recently divorced billionaire) had taken up residence there. European guests tend to be *FT* readers, I noted in the chintzy first-floor Pembroke Room which the management consciously dedicates to power breakfasts.

In many ways the Lowell is indeed the antithesis of the American hotel stereotype. One can not only open the windows but, in 19 of the 48 suites, walk out on to one's own balcony and marvel at the proximity of Central Park (and the paucity of roof gardens).

The grumbling mini-bar is replaced by a kitchen larger and better equipped than the average resident New Yorker's (although the equipment in mine was tellingly unused). TV screens have to be sought out inside Chinese lacquer chests and mahogany tallboys. Gideon's bible may well be augmented by five shelves full of books such as *21 Sure Fire Ways To As Much As Double Your Money*.

Rooms are deliberately furnished with desks large enough to accommodate a raft of company reports and one king-bedded suite, surely not aimed at Europeans, even has its own separate gym, CD system, woodfire, dining area, two bathrooms, three TVs and seven telephones (two fewer than the presidential suite).

In the same building is the Post House restaurant and bar, famous for its steaks, wine list and clubby atmosphere, particularly during immediately post-Wall Street hours. A useful place, but not for impoverished female vegetarians.

Room rate from $260 (£152) for one of their four singles but $520 (£304) for a one-bedroomed suite such as 14B.

The Lowell Hotel, 28 East 63 St, New York. Tel: (212) 838 1400, fax (212) 319 4230.

The Mark

In any part of what Americans succinctly call the hospitality business first impressions are vital – perhaps none more so than in an hotel after a transatlantic flight and an even bumpier cab ride.

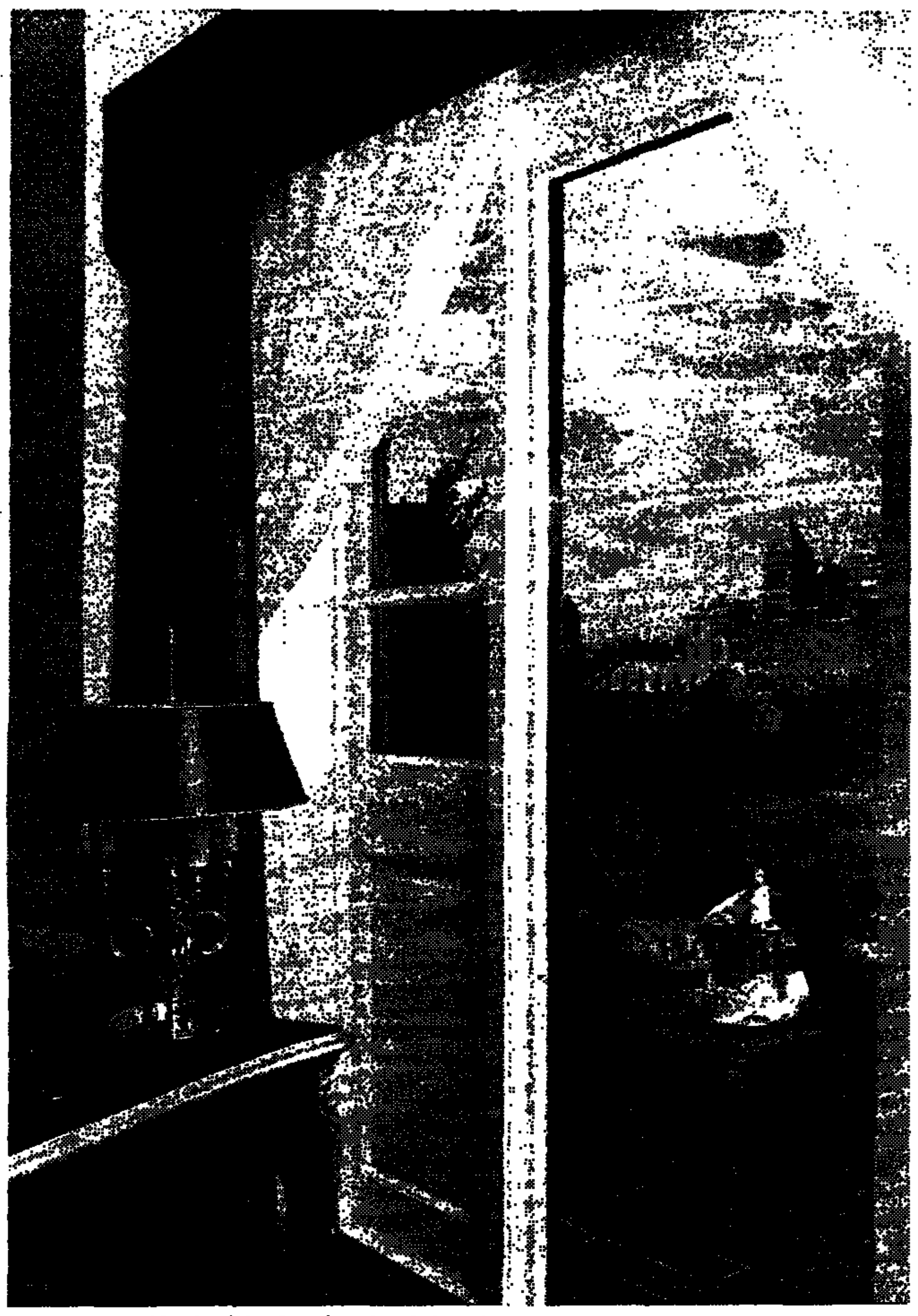
Here was the first of The Mark's attractions, their Head Doorman. During my five-day stay the doorman whispered an instantaneous weather report, never failed to give me a smile and immediately knew where I could conveniently buy the *FT*.

The hotel's physical charm stems from the fact that it was originally a residency building, built in 1926 and known as the Hyde Park, and converted into an hotel five years ago as the New York flagship of the Munich-based Rafael Group. My room had all the amenities that corporate good taste and the big budgets of the 1980s could buy. The finishing touch was a pair of extremely comfortable leather slippers left by the bed on the first night.

The Mark has invested heavily in its restaurant. The chef Philippe Boulot, born in Normandy, has worked with two of Paris's most famous chefs, Robuchon and Senderens. Raymond Bickson, the general manager, was born in Hawaii, educated at the Goethe Institute in Berlin and Cornell University and was consultant to the Peace Hotel in Shanghai. Bickson and Boulot bring a very cosmopolitan air to what is an intimate, although occasionally sombre, dining room. They have organised a diverse sequence of dinners with wine producers from California, France, Germany and Portugal, for which they charge reasonable prices (from $50-$70 including wines), and built up a first-class wine list.

But they also know what is going on in the Big Apple. When an early morning appointment took me down to Wall Street they told me to call in for breakfast at Florent (69 Gansevoort Street, 989-5779). Originally a coffee shop straight out of an Edward Hopper painting, Florent is now a cafe/restaurant open 24 hours and run by a Frenchman. At the bottom of his menu is a phrase all hoteliers would love to copy: "We are pleased to accept cash only."

The Mark, Madison Avenue, East 77th Street. Tel: 212-744-4300, fax 212-744-2749. Rooms from $265 plus taxes.



The Lowell: antithesis of the American hotel stereotype

Is it schnapps or vodka?

***Giles MacDonogh** enjoys an unusual pick-me-up*

WEDHOLMS FISK in Stockholm is one of only eight Michelin-starred restaurants in Sweden. We were served a plate of Swedish hors d'oeuvres rather in the manner of Russian *zakuski*. There was very lightly smoked salmon and delicately marinated gravlax, which came with a rather sweet, mustard sauce, Matjes and Bismarck herrings, salmon and bleak roe came from fish caught above the Arctic Circle. To drink with this we received a glass of Pripps lager and a tot of lemon-flavoured brännvin or schnapps.

I call it schnapps but the makers, the Swedish government monopoly Vin & Sprit, would rather it were called vodka. It is more a question of marketing than semantics. Schnapps distilling is a Baltic tradition: the Swedish word brännvin like the Dutch brandewijn means burnt wine; where the Russian word vodka with its watery connotations is closer to the Swedish word for spiced schnapps aquavit. Aquavit just means eau de vie or if you prefer, whisky.

I suspect that the Swedes feel that we might have trouble pronouncing *brännvin* and perhaps they are right to call it vodka. Certainly the tradition of making a highly rectified vodka in Sweden goes back for more than 100 years. In 1879 L.O. Smith (he had assumed the name of his guardian, who may or may not have been of British origin) began distilling an *absolut renadt brännvin* (absolutely pure schnapps) at Reimersholm near Stockholm.

The spirit was distilled ten times until all impurities (and presumably all flavour) had been removed. The Stockholmers loved the new drink, and when the city fathers tried to prevent it being sold they took to their boats, filling up their containers at Smith's Island distillery until the authorities were forced to concede defeat.

When in 1979 the Swedish monopoly decided to launch a quality spirit on the export markets, they remembered L.O. Smith and his "Absolut" and Absolut Vodka was born. Absolut is a highly rectified spirit, but not, I hasten to add, quite so drastically cleaned up as Smith's original brew; rather more of the grain flavour survives than in other commercial vodkas, but far less, say, than you would find in a north German Kornschnaps.

Absolut now comes in three forms: straight vodka, "citron" and pepper. The flavouring of schnapps is another tradition which extends throughout northern Europe and the Baltic, and in spite of the fact that quality grain spirit is now distilled in only one place in the whole of Sweden, this flavoured schnapps or aquavit continues to be produced.

Sweden's principal licit distillery is in Ahus in the south of the country. It was there that I tried a range of these drinks: Herrgards a licorice-tasting spirit aged in sherry casks; O.P.Anderson, a Swedish kümmel; Hallands Fläder flavoured with elderflowers; porsbrännvin flavoured with bog-myrtle, which gives it a suitably earthy, indeed swampy taste; Ostgöta Sädes Brännvin which is essentially a Swedish grain whisky; Arsta, a Stockholm speciality flavoured with bitter oranges; and Ahus Bitters which tastes like the entire contents of the spice box macerated in alcohol.

In the 19th century there were as many as 200,000 distilleries in Sweden making brännvin. Consumption was massive and drunkenness became such a problem that a referendum was taken on whether to ban alcohol sales altogether. The drinkers narrowly won the day, but the result of the poll was the creation of the Swedish monopoly in 1917.

In the intervening 75 years the number of distilleries has been whittled down to just Ahus, a situation which no one feels will change once Sweden joins the EC and the monopoly is finally wound up.

Brännvin schnapps or vodka (whatever you want to call it) goes very well with basic Swedish food: the circles of crisp bread which were formerly hung up to dry before the long winter; smoked, pickled, salted, cured or marinated foods; oily herrings eels and salmon; roes of every description, including the abominably salty turbot roe we ate in an otherwise fine restaurant in the south of the country. Vodka is said to protect you from tainted foods: hence the Russian habit of drinking it with what was often putrid caviar.

Finally, brännvin was the traditional compliment to the smörgasbord. The word means "buttered bread" such as the German Butterbrot. In the last century the smörgasbord was a male preserve; set out on a side table for the men to eat while the ladies removed their travelling clothes prior to dinner. In the centre of the table an enormous canteen was filled with brännvin and two or three different sorts of aquavit arranged in separate compartments; another section was filled with ice. Presumably it worked wonders after an icy sleigh ride.

A selection of cantonal breads from Sue Style's new book A Taste of Switzerland

Bookshelf/Jill James

WE HAVE all heard of the gnomes of Zurich – but what exactly do they eat? Sue Style tells us in her excellently written and presented *A Taste of Switzerland* (Pavilion, £15.99, 160 pages).

There is culinary life beyond the fondue and Style has put together the elements that make up Swiss cuisine dealing in her usual authoritative and engaging way with the country's food, wines, gastronomic traditions and history.

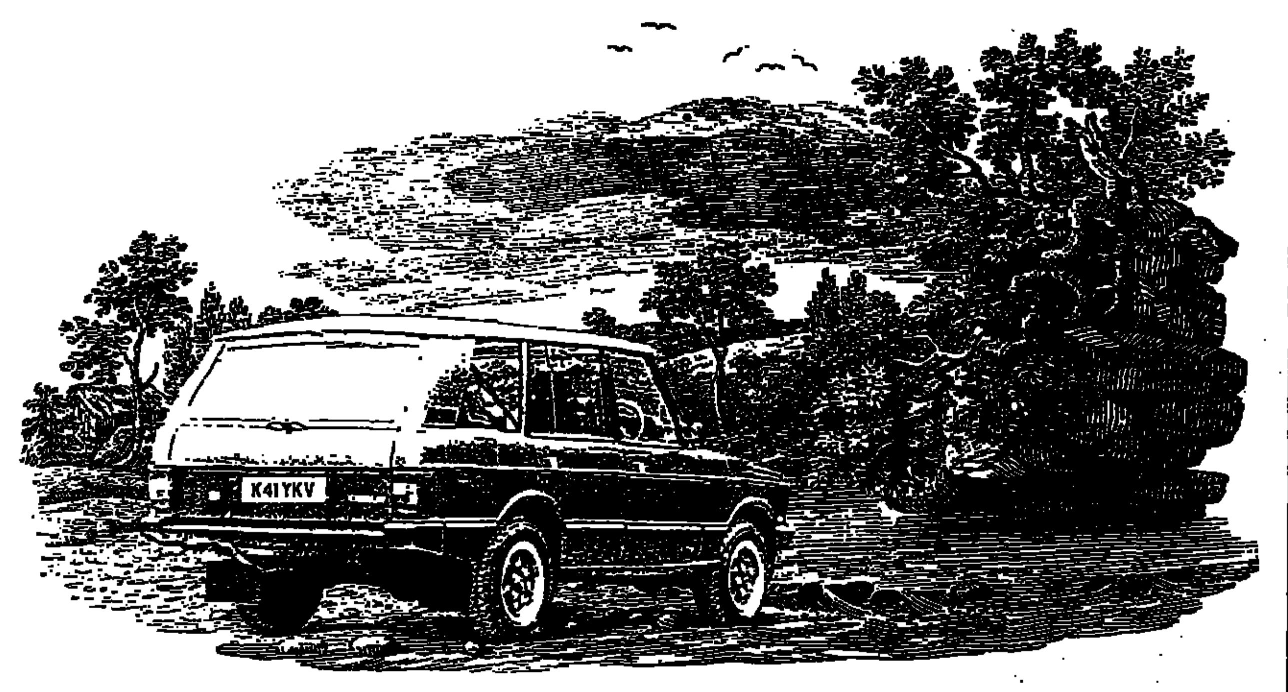
Style's book is good value but many food books in that price category are not, so it is nice to be able to point to a clutch of decent food books costing under a tenner.

For those who like good writing as well as good eating Virago has published a food anthology, *Loaves and Wishes* (£7.99, 152 pages). It brings out a variety of responses to the request to write something – anything – about food to mark Oxfam's 50th anniversary. Anger, wit, fantasy, storytelling, poetry and more are interspersed with recipes. Authors include Maeve Binchy, Germaine Greer, Doris Lessing and Virginia Woolf.

Glenfiddich-award winner Lynda Brown has experimented with a variety of crops and ways of growing them organically. Her practical tips on planting and harvesting make up *The Cook's Garden* (£8.99, Vermilion, 256 pages). *Bean salads, scarpaccia and* ways of tackling that most recalcitrant of vegetables, the brussels sprout, make up a guide which even seasoned kitchen gardeners will find worthwhile.

Last, but not least, a delightfully illustrated first series from John Midgley – *The Goodness of Beans, Peas and Lentils, Potatoes and Root Vegetables, Garlic* and *Olive Oil* (each 65 pages, £4.99, Pavilion). Each book has 30 recipes and a basic information section. Ian Sidaway's watercolours makes them top value.

GARDENING AND MOTORING



Too good for the mud

WOULD you walk into your drawing room wearing muddy wellingtons? I thought not. In which case, having invested £40,000 on a new Range Rover Vogue LSE, with its leather-seated and Italian poplar-veneered interior, the last thing most owners would do is drive it axle-deep in mire.

Here we have a paradox. The two most significant improvements to the 1993 Range Rover are electronic air suspension and traction control. They equip it to do even better what only a handful of owners ask of it – which is to go clambering about on rough terrain.

A clever suspension system depends on an electric compressor to keep the air at the right pressure in the rubber bags which replace the normal coil springs. There are five heights. In access mode, the vehicle sinks down on to its bump stops, making it easier to enter and leave. The next setting (low profile) is assumed automatically at more than 50 mph (80 kmh) to improve main road ride and handling.

For driving at modest speed on normal roads, the suspension sets itself to standard profile. High profile is for off-road use and when fording rivers. Extended profile is an emergency setting which would be handy should it run aground on its belly.

Apart from low profile, all the other ride heights are driver-selected by push button. But should you drive away in access mode, the suspension – which also keeps the car on an even keel regardless of load – pumps itself up to standard height automatically.

When I drove a Range Rover Vogue LSE last month, there must have been a leak somewhere. Every few seconds, the compressor started to refill the suspension's air reservoir with a heavy breathing noise like an elephant making an indecent telephone call. But the suspension absorbs the bumps beautifully and subdues tyre noise although it still has not cured what, to me, is one of the Range Rover's main drawbacks – its roly-poly restlessness on winding roads. Although it holds the road well and corners quickly and securely, its handling is not as car-like as that of a Mitsubishi Shogun or Isuzu Trooper.

For driving across rough country, the Range Rover is still the one to beat. The new electronic traction control system uses the same wheel sensors as the ABS brakes. Whatever grip the tyres have, the driver can make best use of it.

Exclusive to the Vogue LSE is a 4.2-litre, 200-horsepower development of the veteran Rover V8 engine, linked to a four-speed automatic transmission. It provides brisk acceleration, quiet motorway cruising, and enough muscle to tow trailers of up to four tons.

The official figures suggest an average fuel consumption of about 17 mpg (16.6 l/100 km) or 300 miles (480km) from an 18-gallon (82 litre) tankful. I think this might be over-optimistic, especially for motorway driving. I shall know soon. Next week I am driving a Vogue LSE to Paris for the Mondial de l'Automobile show at which it makes its public debut alongside the latest Land Rover Discovery, with its 3.9-litre V8 petrol engine and automatic transmission. The show also will mark the European debut of the big, new Chrysler Jeep Grand Cherokee – a Range Rover rival, although Britain will have to wait until 1994 for right-hand drive versions.

Having sampled the air-suspended Range Rover, I thought the steel-sprung Discovery automatic would be an anti-climax. In fact, I preferred its feel and handling on the road. Past experience has proved that, even without adjustable ride height, it is formidably capable across rough country.

As a single air-suspended, super-luxury LSE (at £39,995) costs almost twice as much as a Discovery (from £19,654), you have to ask if Range Rover prices have finally gone over the top. Or have they, like the air suspension at only standard height, still some upward movement left?

Stuart Marshall

Teaching the apple to eat its own worm

IN THE fruit world, the emphasis on pest and disease control is changing from reliance on chemicals to breeding natural resistance into plants so they need to be sprayed less often or, preferably, not at all. This I learnt during a visit to the Institute of Horticultural Research at East Malling, Kent, the leading fruit research station in Britain.

Some of the progress made is based on work that started a long time ago, the full potential of which was not realised until the recent disillusionment with the long-term effectiveness of chemicals and their effects on the environment.

Thirty years ago, for example, Dr Ray Watkins was beginning to look for new apple tree root stocks which, in addition to restricting the growth of the apple varieties grafted on them, would also be resistant to woolly aphid and crown rot. It would also give a better uptake of calcium which would improve crop storage.

These new root stocks were collectively known under the letters AR to distinguish them from the MM root stocks raised at East Malling. Little has been heard of them and I do not think that any AR root stock has been released for commercial use. However, this is likely to change for much new breeding is going on and some of the results look promising. One AR root stock has already been identified which could provide a replacement for the much-used MM106.

It was at East Malling that the self-pruning, columnar apple trees – some are marketed as Ballerina apple trees – were produced. The breeding work continues and one red-fruited variety, Teleman, looks particularly promising. There is also a search for resistance to scab disease and mildew. Efforts are being made to ensure regular bearing by a method which is new to me. This is based on belief that it is the production of seeds that really puts a strain on the apple trees, reducing the production of fruit buds for the following year. Some apple varieties, such as Wellington Bloomless and Spencers Seedless, can produce fruit without seeds and some columnar trees with this characteristic are on trial at East Malling.

Another approach to regular cropping in apples is to produce varieties with flowers that are tolerant to frost or those which produce pollen which will fertilise at quite low temperatures. One such variety, Falstaff, is already on the market and doing well. It is a regular cropper and an excellent pollenator for other varieties including Fiesta, another fine East Malling introduction. Falstaff also has the merit of being self fertile.

Both Fiesta and Falstaff figure prominently in current East Malling apple breeding because of their commercial success. To give some idea of the scale of breeding that is necessary to get results quickly, 30,000 seedlings from these and other varieties have been produced. Of these 1,500 have been selected for fruiting and 10 have gone on to the national food trials at Brogdale, Faversham, Kent.

The search for resistance to scab disease and mildew continues. So far the most promising seedling has Fiesta as one of its parents, the other being an unnamed seedling selected at East Malling for its high resistance to both these diseases. It is hoped that in about 10 years the scab-free commercial apple will be a reality. Even resistance to apple canker, troublesome on some varieties, is being investigated. Breeders will say no more than that sources of resistance to this most intractable of diseases have been located.

Similar work is being done with pears and an improvement in the popular Concord, which was bred at East Malling, is being sought. Again, attention is being given to disease resistance, most particularly to fireblight which, when it occurs, means the destruction of affected trees.

Strawberries are an important crop at East Malling and here again high priority is being given to improvement in pest and disease resistance, notably to verticillium wilt, powdery mildew and the two-spotted mite.

Pegasus is an example of a recent introduction with a useful level of resistance both to verticillium wilt and to crown rot. It is said to grow well on heavy soils. Calypso, which is not yet available to home gardeners, is an everbearing strawberry with fruits that are less susceptible to mildew than those of Rapello, the variety it most closely resembles. Unfortunately its leaves are susceptible so it must be sprayed.

The Falstaff apple: crisp, ripe and resistant to low temperatures

Arthur Hellyer

Lucia van der Post checks out the trends in home fashion at London's Decorex and admires the best work at the Chelsea Crafts Fair

Chintz, swags, ribbon, bows: anything goes!

THE REALLY good news is that if you are faced with blank walls and are wondering which which-way the decorating wind is blowing, you can relax – this is the year when almost anything goes.

At this week's Decorex in London, the interior decorating world's version of the fashion world's catwalk shows where what style guru Peter York calls the "chintz ladies and the obelisk boys" make free with the swags and the paint effects, there were enough styles on offer to cover almost every mood, from cool and minimalist to high baroque.

There were room-sets left over from some other, lusher age – so awash with lavish fabrics, sumptuous bibelots and expensive finishing touches that one wondered where their creators had been these last few years. There were Gothic rooms and sweetly simple country rooms; there were baronial halls bedecked in tartan and sumptuous boudoirs; and every now and again there was something fresh that caught the eye.

Crabtree Kitchens, for instance, had put together a kitchen (photographed right) which in spite being made up from the familiar traditional parts managed to look clean, fresh and new – a thoroughly grown-up kitchen, all sophisticated urbanity without an ancient curlicue or a false panel in sight.

Crabtree Kitchens' sophisticated pewter-finish kitchen

The cabinets have clean, simple lines and the hand-painted pewter finish (layers of black are rubbed down to reveal the silver base coat and the whole is finished with a protective lacquer) and dark green Corian marble top adds a sleek, metropolitan gloss. Polished chrome is used for the fittings – tee hinges, drawer pulls and hook latches.

If your notion of a proper kitchen veers more towards the farmhouse than the chic, then it is worth noting that Crabtree Kitchens also has a Shaker, a Provencal and a some simple wooden versions. Crabtree Kitchens is at The Twickenham Centre, Norcutt Road, Twickenham, Middlesex TW2 6SR.

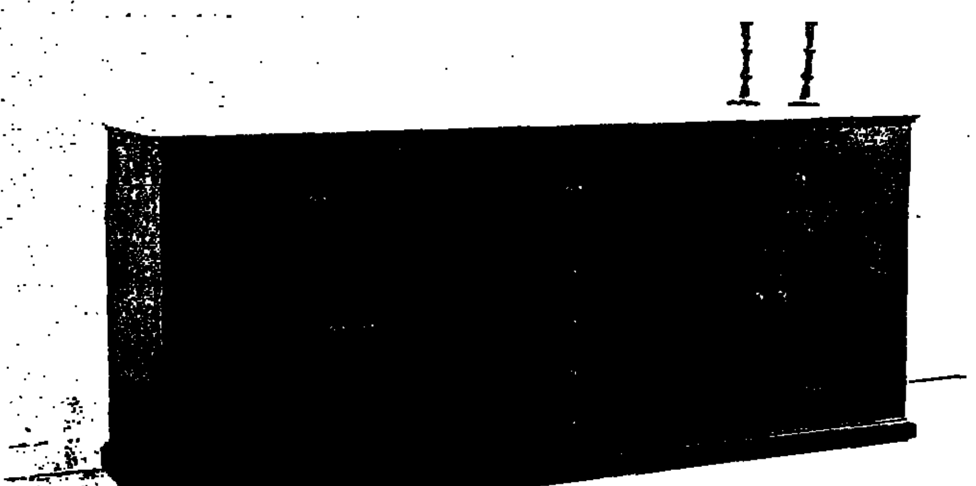
Side by side with the new softened metropolitan look is, of course, our old friend the ethnic look. Rather the way in which new directions in fashion usually start with the big designer names and then filter down to the high-street, so it is in decorator-land.

Way back in the mid-eighties, when most of us were drowning in chintz and faded grandeur was all the rage, a few of the prescient, avant-garde designers began playing with motifs gleaned from primitive pieces. Bonetti & Garouste, a French design partnership, started it all by including African references, such as hide and horns, in their furniture. In the avant-garde interior fine porcelain and oil paintings made way for ancient artefacts and African masks.

African colours like cream, brown and black began to predominate in interiors and strong primitive lines became the rage. David Gill's gallery at 60 Fulham Road, London, was a focal point for a lot of this new primitive work. Global Village, with its clever combination of Third World craftsmanship and Western sophistication, made the look available to those who had neither the time nor the know-how to cart tribal masks from Africa, low tables from Rajasthan, planters' chairs from Malaysia.

When Habitat explored the ethnic look last autumn the new tribal mood really hit the high street. This autumn, Habitat has refined it further so anybody still looking for the component parts can find them at very accessible prices. There is plenty of cream and brown, there are wooden artefacts that look hand-turned, and wrought iron candelabra and hand-forged steel. There are traditionally-woven rugs from India, some exceedingly attractive, generously-sized pewter, brass and stone lampbases, driftwood frames and lots of rattan – that other essential for the right-on nineties home.

Habitat's prices seem to me good – its very attractive range of checked cotton fabrics at £2.95 to £8.75 a metre are some of the best value I have come across. A large rough-looking (on purpose, you understand) painted cupboard is £399 while for £349 you could get a Carrara marble-topped table big enough to seat six. The catalogues are available now from Habitat stores and larger newsagents at £2.



Another enduring theme for the nineties interior is the *simple Shaker look*, sometimes in its purest form, sometimes, as here, more a cross between country and Shaker. Codrington Furniture *has developed a line of* country/Shaker influenced furniture which the company manages to make look old, used and much-loved when it is, in fact, newly turned out from its workshops. All the classic country pieces are featured – the counter (left, £1,675 for a 5 ft version), the *dresser, the linen press*, the blanket box, the *provincial* table and so on. A brochure is available from Codrington Furniture, Arch 80, Chelsea *Bridge Business Centre*, Queenstown Road, London SW8 (tel: 071-498-9960).

The urban Westernised tribal look from Habitat – note the details, creamy neutral colours and natural materials like wood and bamboo. The Miami sofa is covered in Porto Calico (from £1,149), the cushions in raw silk, the bamboo table with a woven rattan top is £99. From all Habitat stores now

The finishing touch

INTERIOR designing, as anybody who has ever tried it knows only too well, is much less a matter of choosing pretty colours and much more a lot of sheer know-how, painstaking attention to detail and real hard work.

If you still think that is what you would like to do, KLC runs one of the best interior design training diploma courses around and it has a few places on the 30-week course starting next week. The price may seem high (£9,400 plus VAT) but it offers proper professional training and almost all its expupils have no trouble finding work, even in these dire times.

It covers everything from budgeting and programming to lighting, plumbing and, of course, the decorative side. It is a chance to rub shoulders with and learn from working professionals, people of the calibre of Bert Chapman, who did all the curtains for the newly-restored Hampton Court, Janet Turner of Concorde Lighting and a host of practising architects and designers.

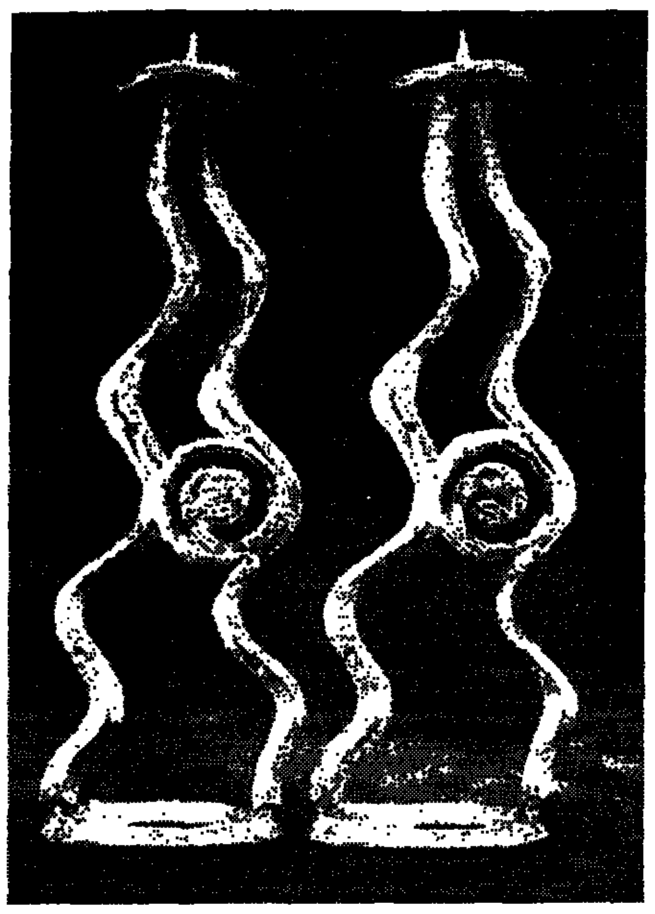
■ For details contact KLC, KLC House, Springvale Terrace, London W14 OAE. Tel: 071-602-8592.

Chelsea blooms anew

THE CHELSEA Crafts Fair, now in its 13th year, seems to gain in reputation and prestige every year, if not in size. Few would probably dare to quarrel with its own assessment of itself as "Europe's Finest Crafts Fair".

Gathered together under one roof is a vast range of individual, original hand-made work ranging from something as familiar as a traditional white willow picnic basket, as simple as a wooden bowl, and as eccentric as a curvy candlestick embellished with opals.

There are uniquely expensive pieces such as the Stevenson Brothers' hand-carved rocking horses (which it seems adults are as much addicted to as children), Roger Copple's wooden chess set or Alex Monroe's intricate brass sundials, all of which might make special anniversary presents and could be passed down from one generation to another.



But there is also a great deal that seems very well-priced, like Diane Flint's 10in high pewter candlesticks, photographed here right, which cost £28 for the pair and come embellished with opals. There are some exquisitely simple ash and oak bowls by James Marston which range from £15 upwards or little wooden toys by Roger Copple from £5, and lots of beautiful jewellery with a great deal to choose from at under £50. Pictured below is a collection of Mark Nuell's rings – all are hand-made from silver and 22 carat gold and he uses precious and semi-precious stones which he hand-cuts. Prices start at £100 for ear-rings; the rings are £170 each.

As usual the fair is on at the Chelsea Old Town Hall, King's Road, London SW3 and runs for two weeks. There is a complete change of exhibitors after the first week so anybody with a serious interest in the crafts really needs to go both weeks. The first week runs from October 6 to 11 and the second from October 13 to 18. The entrance fee is £4 for a single visit, £6 for one visit during each week.

Off the wall/**Antony Thorncroft**

Message for the minister

PETER Brooke undertook his first public engagements as Heritage Minister yesterday. He visited the Yorkshire Sculpture Park and then drummed up support for the northern branch of the Association for Business Sponsorship of the Arts: a nice mix of avant-garde and commercial.

Brooke arrives with the advantage of low expectations from the artistic mafia. His only known arty interest – he is a Trustee of Wordsworth's Dove Cottage – hardly matches the encyclopaedic musical knowledge of David Mellor. But the history of arts ministers suggests that the novices to the field, like Richard Luce, often deliver more in actual results than the panjandrums like Lord St John of Fawsley.

Brooke will keep a lower profile than Mellor, mainly for security reasons (he served a stint in Northern Ireland). But while Mellor never got round to making many decisions Brooke is carrying home bulging red boxes shrieking with issues needing judgments.

The most important in the short term is the size of the arts and heritage grant for 1993-94 which will be decided by Mr Portillo and the Treasury in the next six weeks. Even Mellor, who had John Major's backing to boost national well-being through a cultural revival, was warning against too much optimism in the current financial climate. But Brooke, as a newcomer, should qualify for a boost and could get a grant uplift slightly above the inflation rate.

Then Brooke must decide his attitude to the Arts Council. Less than a year ago the Council was on the ropes. The Arts Minister of the day, Tim Renton, was keen to devolve most of its clients to new regional arts boards, and to control the grants of the big companies direct. Suddenly this all changed. Mellor was against devolution. He was also lining up the Arts Council to act as the distribution channel for Lottery money when that comes on stream. His disappearance is a bad blow for the Council. If the Whitehall bureaucrats capture the ear of Brooke its future once again becomes uncertain.

As for the Lottery, this could be the key to it all. Mellor was a great fan, keen to introduce the Bill before Christmas, and prepared to battle in the Commons to make sure that the debilitating amendments expected to be tabled were defeated. It will require a deep commitment by Brooke to ensure that the promised £1b from Lottery proceeds actually comes through to fructify the artistic, heritage, and sporting life of the nation.

The novices in the field often deliver more results than the panjandrums

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Throw in the future of the BBC, the fate of the National Arts Strategy, and the little matter of a home for the Heritage Ministry and Brooke would seem to have no spare time to get embroiled in the long running saga of Covent Garden. He should. If he knocked a few heads together there his reign could get off to a spectacular start.

This week's two investigations into the travails of the Royal Opera House took us back nine years to the Priestley Report and the last major assessment of its strengths and weaknesses. Clive Priestley, like Warnock and Price Waterhouse on Thursday, also praised Covent Garden's artistic output, criticised its management, and said that if the bosses got a grip on costs the government should give the ROH more money. As a result a little extra cash was fleetingly provided, a few industrial practices were reformed. Then both sides gave up the struggle.

There is a real danger that history will repeat itself. With Mellor, its arch critic, gone, Covent Garden seems confident enough to ride out the storm. The Board bowed imperceptibly to the critical wind by renewing general director Jeremy Isaacs' contract for two rather than three years, but it dug in its heels on its commitment to the £250m redevelopment plan and persuaded the Arts Council to allow it to release a sanitised version of the Warnock report.

So Warnock seems to be issuing the same old threats – if the ROH does not clear its debts in three years time, well, awful things will happen. The Council maintains that this time it is serious and wants heads to roll at management level as soon as the Board makes its considered response to the two Reports.

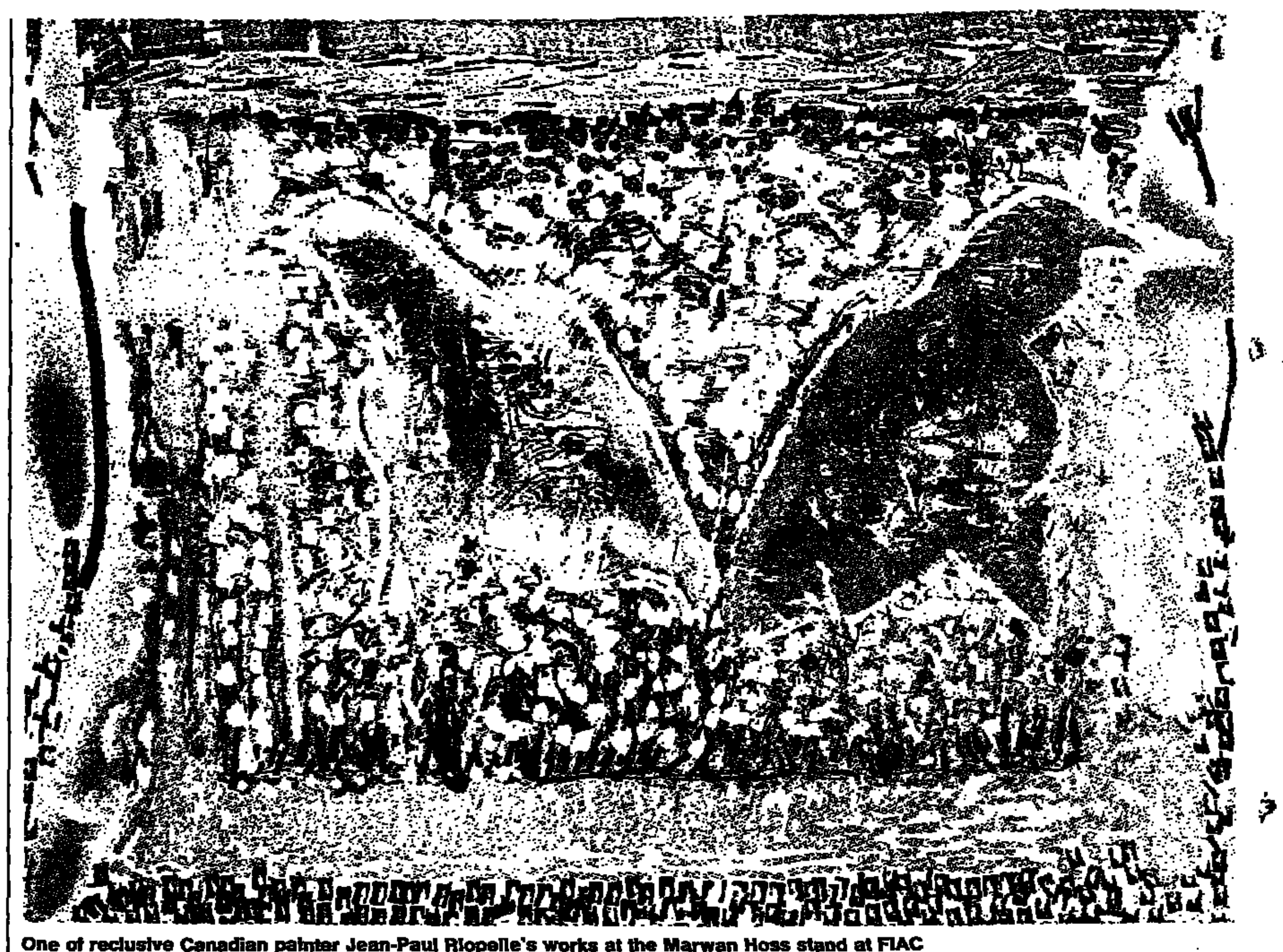
But the odds must be on a few cosmetic changes and the Arts Council continuing to fund Covent Garden unwillingly with minimal grants. The real issue was ducked again. It was extraordinary that Warnock did not confront high seat prices, the cause of most of the antagonism to Covent Garden. They are excessive because the ROH presents too extensive a programme on too small a subsidy. Management reforms could save £1m a year but this is only equal to the box office receipts of four gala evenings.

The report, or at least the brief summary released to the press, also dodged the issue of the composition of the board. The alternative report, from Price Waterhouse, recommended a much broader participation by expert outsiders. The Lottery, and the Foundation for Sport and the Arts, as potential sources of funding, also failed to get a mention.

Instead the reports got embroiled in the great redevelopment saga. You must admire Covent Garden's determination to press ahead with a £250m commercial project, involving at least two years closure, during an unprecedented slump in the property market. Perhaps Isaacs does have pledges for half the £90m the ROH must provide. If he could announce that, say, £50m is in the bag the enterprise becomes viable.

Certainly Covent Garden is becoming the most slummy of the great European opera houses. But if the recession continues ROH would be well advised to go for the partial revamping of the back stage facilities, approved by Warnock. The government (or the Lottery) might well be happy to put up £10m for new wiring and some cosmetic front-of-house changes to ensure that the Opera House has something to offer during the millennium celebrations in 2000.

Brooke could broker a package. A strengthened board and management will promise to force through industrial changes. If they lead to strikes the Arts Council would make good any financial loss. No decision on closure will be made until 1994 when the financial situation could be very different. And a successor to Isaacs should be appointed soon. After all he, or she, will have to guide the Opera House though the really traumatic years after 1995.



One of reclusive Canadian painter Jean-Paul Riopelle's works at the Marwan Hoss stand at FIAC

A poet much misunderstood

One hundred years after his death ***Michael Glover*** *defends Tennyson*

"NOTHING could have been more striking than the scene during the last hours. On the bed a figure of breathing marble, flooded and bathed in the light of the full moon streaming through the oriel window; his hand clasping the Shakespeare which he had asked for but recently, and which he had kept by him to the end; the moonlight, the majestic figure as he lay there, 'drawing thicker breath', irresistibly brought to minds his own *Passing of Arthur*."

This extract from the authorised biography of Alfred Lord Tennyson, who died 100 years ago next week, was written by his son Hallam. 1,The style is treacly, unctuous, and the details more than a little improbable – but this was the way in which the Victorian age wanted to regard its pre-eminent poet.

It is difficult for a sceptical, unpoetical age such as ours to grasp, intellectually or emotionally, the measure of Tennyson's fame, influence and wealth during his lifetime, but let one small, practical detail suffice: by the early 1860s, Tennyson was sufficiently prosperous to be able to refuse the offer of a reading tour of America which would have guaranteed him a stipend of £20,000.

It had not always been so, of course. One of 12 children, he grew up in a Lincolnshire rectory and his childhood and early manhood were blighted by family illness. His father was a choleric, embittered man who had never forgiven his own father for settling the greater part of the family's inheritance upon his brother Charles, and almost every one of Alfred's eleven siblings suffered from one disabling disease or another – insanity, opium addiction, alcoholism, epilepsy or severe mental breakdown. Tennyson, a sensitive, bookish, reclusive child, suffered profoundly as a result. As the poet W.H. Auden once said, "there was little about melancholia that he didn't know."

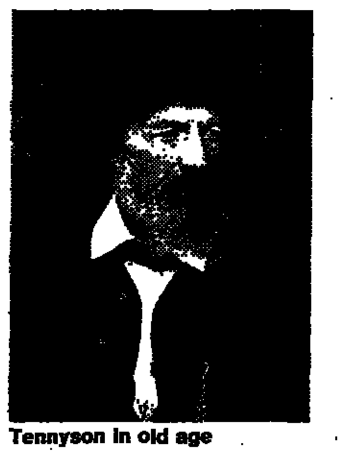
Freedom of a kind came with his arrival at Trinity, Cambridge in 1827. His contemporaries included Thackeray and Edward Fitzgerald, but it was the son of a great Whig historian, Arthur Henry Hallam, with whom he was to develop the most intense friendship of his life, cut short, tragically, by Hallam's death of a cerebral haemorrhage in 1832 at the age of 22. Hallam, muse and shade, appears and reappears in Tennyson's poetry throughout his life.

Tennyson's contemporaries at university recognised immediately that they had a poet in their midst – by gait, manner and distinctive dress; he recognised his vocation from the start and stuck to it. He wrote prose of any description with great reluctance – his surviving letters are almost all short and to the point; he never wrote a preface, an essay, a review, a diary, a memoir or even a fragment of autobiography.

And he published his own poems with great reluctance. The first collection, *Poems, Chiefly Lyrical*, appeared in 1830, and its mood is that of the emburdened soul, self-absorbed and thoroughly miserable in the concentrated way that only youthful poets can be. It is also verbally luscious – a weakness that his poetry would always tend to suffer from.

For the next two decades he lived a somewhat aimless life. Carlyle beautifully captures him in 1840: "A fine, large-featured, dim-eyed, bronze-coloured, shaggy-headed man... who swims, outwardly and inwardly, with great composure in an inarticulate element of tranquil chaos and tobacco smoke; great now and then when he does emerge."

It was the poems of 1842, which included such pieces as *The Lady of Shalott*, *Ulysses* and *Godiva*, that established him as the outstanding poet of his generation. But critics were soon to condemn him for failing to respond to the issues of the day: a the hungry 1840s, the age of Chartism and what Carlyle piquantly described as "the Condition-of-England question". Tennyson, deeply sensitive to criticism of every kind, listened to these critics and his later poems do indeed address many of the great public themes of the Victorian age, starting perhaps with *The Princess* of 1847, which tackles the burning issue of female education.



Tennyson in old age

In spite of his gathering fame, Tennyson suffered a prolonged physical collapse during the 1840s. His financial difficulties were eased by the gift of a Civil List pension in 1845, but it was not until 1850 that the clouds finally dispersed. This was the year of *In Memoriam*, a secretive marriage to Emily Sellwood which brought stability into his life, and his award of the Poet Laureateship.

Thereafter, and in spite of the occasional critical lambasting – *Maud* was generally regarded as disgusting or "unintelligible" (Gladstone), though in our day it has seemed more appropriate to regard it as a forerunner of Eliot's mood of urban desolation: "And I loathe the squares and streets,/And the faces that one meets.../and my heart is a handful of dust," – his fame and influence were universal. He became firm friends with Queen Victoria, who informed him that, after the Bible, *In Memoriam* was her greatest source of comfort; his public poems – especially the "Ode on the Death of the Duke of Wellington", were the anthems of the nation; and his acceptance of the peerage in 1883 seemed to crown a lifetime of achievements, His funeral in Wstminster Abbey was a gloriously pompous occasion, though Thomas Hardy thought it a bit overdone and "less penetrating than a plain country internment would have been."

Then, soon after his virtual apotheosis, the chilly winds of the 20th century began to blow, and he was effectively knocked off his pedestal. Auden described him as the stupidest of all English poets. Yet, in more recent times, we have come to admire aspects of his work – both late and early – that the creation of a massively imposing public man caused to be concealed for far too long: a poet, often glimpsed in the shorter lyrics, who was both introspective and self absorbed. In fact, the very anxious boy that he had once been.

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Two new biographies are published this month to coincide with the centenary - one, Tennyson, a short, admirably lucid and beautifully illustrated account by Norman Page (*Allison & Busby* £16.99, 190 pages), is an excellent introduction to the complexities of Tennyson's life and work; the other, a longer and more searching enquiry of the same title that bears comparison with Robert Bernard Martin's excellent biography of 1980, is by Michael Thorn (*Little, Brown* £20, 566 pages), The definitve edition of his poetry remains the Poems (3 vols., Longman), edited by Christopher Ricks.

Traditional dealers on top

Nicholas Powell tests the water for Paris' contemporary art fair this month

WHILE the art world prepares for the huge Paris contemporary art fair FIAC this month reports are going round New York that no fewer than 100 Parisian galleries have been forced to close by the recession. The figure is inflated, but it is true that an unprecedented purge is on after years of careless prosperity.

Galleries in France doubled in the 1980's from just over 500 to more than a 1,000, while sales of modern and contemporary paintings at auction tripled between 1985-1990. Galleries working not directly with artists but specialising in quick resales sprang up not only around the trendy east end Bastille area but also on the Right Bank.

This year the effects of the 1990 contemporary art market crash which started in New York began swathing through Paris. Prices for paintings have dropped by a rough average of 50 per cent and turnover has fallen proportionately.

Not only speculative dealers but quality dealers have been hit. Isy Brachot, who also has a gallery in Bruxelles, closed his Left Bank Paris headquarters this year. Baudoin Lebon, a specialist in leading French artist Jean Dubuffet, had to file a petition in bankruptcy. Galerie Daniel Lelong, which represents stars such as Francis Bacon and Spanish artist Antoni Tapies, has been forced to shed half its staff and close one of its two Paris premises. Antoine Candau, one of the first dealers championing young contemporary artists to set up in the Bastille area, has gone out of business.

Most well established galleries with good stocks and good stables of artists, however, are weathering the crisis. Brand new galleries with low overheads representing up and coming, low priced artists are even beginning to open in the streets around the Bastille.

The real test of the health of Paris's and Europe's contemporary art market comes when the week long Paris FIAC (Foire Internationale de l'Art Contemporain), one of the world's top fairs, opens in the Grand Palais on October 24. Some 100,000 people are expected to visit 161 galleries, 87 of them from abroad, representing works by some 700 artists. Some 400 more dealers applied to take part and were refused.

Last year economic gloom frightened a lot of people at the FIAC into showing very staid, classical material. This year looks like being livelier now that the gloom has become chronic. A large number of stands are staging particularly fine one man shows.

Paris dealer Marwan Hoss is showing 20 recent large format works by reclusive Canadian painter Jean-Paul Riopelle, his first Paris exhibition in 10 years. Jacqueline Moussion is showing the work of the French based Haiti born artist Hervé Telemaque and the Korean Moon-Seup Shim. The works by the former are stark combinations of minimalist sculpture and videos evoking Haiti and its ills. Those by Shim form an altogether more tranquil collection of sculptures in iron.

Jacqueline Moussion thinks it quite normal that some Paris galleries should have disappeared while others, like hers, ride out the recession. "Most of those who have gone to the wall were merely commercial and didn't know what art is. The best dealers always refused to supply their artists' works to the galleries and auction houses out for short term profits. Dealers who work with a stable of artists, foreign galleries, museum curators and collectors will survive."

MEANWHILE, the presence of the world's biggest spender, the Sultan of Brunei, was reported stalking the jewellery section of the Biennale des Antiquaires which was greeted with understandable joy. For this year the 120 participants at the world's grandest antiques and fine art show spent as never before – FFr 50m all in all – to make the event as spectacular an attraction as possible. It has been a huge success. Only a few days after the opening of Biennale, which ends tomorrow, big sales were being reported.

Paris dealer Yves Mikaeloff's stand was soon deprived of its star exhibit, a massive, FFr 12m, mahogany and gilded bronze commode made in 1770 by French cabinet-makers Severin and Foullet – the client insisted on taking it with him. Mikaeloff also sold two paintings, five drawings and a William Morris carpet while his neighbours, tapestry specialists Galerie Chevalier, parted with eight pieces ranging from FFr 80,000 - FFr 2m, all to new clients, on the first day.

The overall quality of the art has never been so high. Thanks to 18th century French specialists such as the Antiquaires a Paris group, the quality of furniture is top notch. Jean Lupu boasts a very rare Riesener table of 1780 from the Roseberry collection and a rosewood and porcelain plaque desk made by Martin Carlin for the marriage of the Comte d'Artois, brother of Louis XVI.

Carlton Hobbs from London, a newcomer, is showing extremely fine 18th-19th century Russian and English furniture. The standard of Old Master paintings is better than ever with specialists such as Agnew's and Richard Green from London and Haboldt and Tassel from Paris joined this year for the first time by Colnaghi, who set up a gallery in Paris earlier in the year.

A major attraction on the Colnaghi stand and perfect for the French market was *La Baigneuse*, a masterpiece by 18th century aritst François Le Moyne which recently surfaced in Brazil. Newhouse Galleries of New York, teamed up with Verner Amell of London, are showing an historical and exceedingly fine imaginary landscape by three leading Italian artists of the day – Canaletto, Pittoni and Cimaroli, commissioned in 1722 by the Irish actor and playwright Owen McSwiny on behalf of Lord March. It was on offer for £950,000. Nearby, hangs one of the very last paintings by Chardin we will ever see on the market – an exquisite still life of peaches, pears and a beaker of wine of 1760.

Dealers in highly specialised fields had clearly made an effort to display exceptional stock. Sarti of London had a Virgin by 15th century Florentin painter Gherardo Starnina and a late 16th century Italian marble marquetry table top which both deserve to go straight to a museum. Brussels based Chinese art specialist Gisele Croës, one of several oriental art specialists present, attracted a lot of attention from museum curators with an exhibition of Han and Tang period earthenware figures, Shang period bronzes in perfect condition and nine exceedingly rare sculpted bronze plates from the Dian kingdom, representing hunting scenes and with price tags of between $80-100,000.

Decoration on the grandest of scales is catered for, too with several furniture dealers chosing to wall their stands with antique wood panelling. Achkar Charriere boasts painted panels with inset canvases by late 18th century painter Fassin from Liège. Gismondi of Paris has late 18th Century, light blue and green panels complete with a bas relief panel by sculptor Clodion. Axel Vervoordt from Antwerp offered one room of 18th century French white colonnaded bookcase panelling and a complete Louis XIV room stripped to its original light green paint in order to set off, he said, his antique Chinese bronzes.

Ottoline: a lady loved in fiction

Anthony Curtis admires a stylish brand of eccentricity

"THE so-called portraits of Ottoline can't possibly *be* Ottoline", D.H. Lawrence wrote from Florence in 1928 to the subject of this biography. It was a letter ostensibly to commiserate with Ottoline on her "mysterious illness" and operation on her jaw, where cancer had been diagnosed. The resulting shape of her chin was a hideous disfigurement of a once beautiful woman. As well as sending a get-well-soon greeting Lawrence took the opportunity to try to heal the 12-year-long breach in their relations. Contact between them, initially so warm, had ceased abruptly on the appearance of *Women in Love*.

Almost all the novelists whom Ottoline entertained in her celebrated salon in Bedford Square before the First World War, and at Garsington Manor during and after the War, found her stylish brand of eccentricity an irresistible challenge. Ottoline, a half-sister of the Duke of Portland, was a maze of contradictions – simultaneously an aristocrat, an aesthete and an artists' groupie.

Aldous Huxley put her into three of his books: as Priscilla Wimbush in *Crome Yellow* (1921) – where she appears against the background of a typical Garsington weekend; as Mrs Aldwinkle in *Those Barren Leaves* (1925); as Mrs Bidlake in *Point Counter Point* (1928). Virginia Woolf embellished letters to friends they had in common and her journal with some coruscating vignettes of "Ott". Miranda Seymour believes that there is also more than a hint of Ottoline in Clarissa Dalloway. Graham Greene confessed to borrowing Ottoline for Lady Patricia Bury in *Its A Battlefield*.

Osbert Sitwell in *Triple Fugue* (1924) called her Lady Septugesima Goodley. The name guys Ottoline's lifelong passion for do-gooding. It had been sparked by Charles Kingsley, whose books she loved as a child and who was a friend of her parents, the Bentincks. *Readings from Thomas à Kempis* confirmed her ambition to occupy the high moral ground. Height was indeed what immediately struck you on meeting Ottoline. As Sitwell put it: she was so tall she looked like "an animated public monument" and with a voice that resembled the "peaceful lowing of cattle and the barbed drone of wasp and hornet".

Miranda Seymour also cites obscure Otto-novels by Gilbert Cannan, "J.A. Revermort" (John Cramb), the Australian-born music critic W.J. Turner, and the Irish actress Constance Malleson, Ottoline's rival in the great game of being bedded by Bertie Russell. This the actress eventually won, but only after a series of strenuous heats. Ottoline had ditched the painter Henry Lamb as her lover for the more intellectual allurements of the philosopher.

Ottoline shrugged off the lesser fictional caricatures. It was Lawrence's – Ottoline as Hermione Roddice ("... she had no natural sufficiency, there was a terrible void, a lack, a deficiency of being within her ...", etc. etc.") – that left the lasting wound. But in that belated olive-branch letter Lawrence did his best to restore Ottoline's self-esteem. "And in the world today", he continued, "full of women, how rare to find one that can move the imagination! No, I wish, and wish deeply, there could be Ottoline again and Garsington again, and we could start afresh".

Crocodile tears? Lawrence had at that moment just completed a new novel. It concerned a married woman with a title who had a passionate affair with a game-keeper on her estate and he felt sure that Ottoline would understand what he was trying to do in it – "the re-entry into life" he told her "of a bit of the old phallic awareness and the old phallic insouciance." Could this, Miranda Seymour asks, have been yet one more fictional go at Ottoline herself?

OTTOLINE MORRELL: LIFE ON THE GRAND SCALE
by Miranda Seymour
Hodder & Stoughton £25, 452 pages

The parallels between Ottoline and Lady Chatterley are in some respects close. Ottoline's relations with her husband Philip Morrell, the lawyer and Liberal MP by whom she had a daughter, soon became companionable rather than passionate. Though not disabled like Clifford Chatterley, Philip did suffer from bouts of mental illness that had probably prevented him from reaching ministerial rank; even though Asquith was a personal friend of theirs who enjoyed meeting literati like Desmond MacCarthy on the Garsington lawn, he never promoted Morrell

After Ottoline ceded Russell to the Irish actress she had what her biographer believes to be the only truly satisfactory sexual liaison of her life. It was with a local Oxfordshire stone mason – Lionel Gomme, always known in her journals as "Tiger" – who had come to mend a damaged plinth in the garden at Garsington. It wasn't only the statue around which he put his arms and relocated.

Clearly a woman of this calibre, reflected in so much of 20th-century fiction and its annals, deserves a biography. There was a life of her published in 1976, but much new material has become available since then. Unlike the previous biographer, Miranda Seymour has a double-focus: on Ott in the foreground and, in the middle distance, on her ever-changing circle of eminent friends.

Sybil Colefax certainly entertained as many, if not more, celebrated people in her time; but she was, at heart, a mere collector. Ottoline, for all her absurdities, was an inspiration. From an early age she saw her role as one of helping creative people to realise themselves, and in this regard her discernment was exceptional and her altruism tireless – even though, contrary to general belief, the Morrells were never really rich. Among the many writers she encouraged when they were unknown was Henry Green, who paid a memorable tribute to her after her death in 1938 aged 64.

What Ottoline had not quite bargained for was the astonishing vindictiveness of the inhabitants of the London literary world, their compulsion to bite the hand that feeds them. In Ottoline's far too forbearing case she would often continue feeding someone after he or she had snapped at her. She was immensely supportive of Roger Fry when he was being reviled for organising the first post-impressionist exhibition in London, and she helped him in the formation of the Contemporary Art Society. They became great friends until he turned on her viciously because someone had spread the rumour that he was in love with her. The other Bloomsberries followed suit in undermining her reputation.

Logan Pearsall Smith had more cause for hatred since his sister was Russell's first wife. But luckily Ottoline acquired new friends as easily as she shed old ones. She made much of the Oxford connection. A visit to Garsington was essential for any undergraduate with literary leanings in the Brideshead years. Evelyn Waugh, Peter Quennell, David Cecil, L.P. Hartley, Eddy Sackville-West, Robert Gathorne-Hardy and Anthony Powell were among her visitors.

Miranda Seymour is infinitely more successful here than she was in her previous group-book, *Ring of Conspirators*, concerning Henry James and his circle at Rye. Here, there really was a ring of conspirators who did what they did in envy of great Ottoline. They are all seen off the premises brilliantly.

Sketch of 'Ott' by her ditched lover, Henry Lamb

The lightness of being

HILAIRE Belloc one quipped: "Just as there is nothing between the admirable omelette and the intolerable, so with autobiographies." These three books prove him right.

Each is a memoir of a few years in a life, each evokes a specific place and its cultural landscape precisely when that landscape was being swept away for ever, and each successfully re-creates a vanished world: the last communist days in Prague; the hippie hangover in 1970s California; and childhood in pre-war Sussex. But what tells the men from the boys is not the recall of tangible reality but the authentic portrayal of the self. How does the writer tick, respond to his times, find meaning? When addressed with curiosity, detachment and wit, the reader is compelled to share in the quest and a life story can be the stuff of art.

My Golden Trades tells of the unlikely jobs Ivan Klima did when prevented from writing. The proverb "a trade is a handful of gold" suggests a worker will never be poor; as surveyor and archaeologist, Klima ironically gained access to the secret life of 1980s Czechoslovakia, from Semtex factories to toxic forests, that enriches his writing. The result is stories which move seamlessly from the immediate to the profound, imagination packed into every paragraph: devastating truths about the regime, thoughts on love, history and Kafka, slip out as simply as an account of buying a schnitzel.

In his novel *Love and Garbage*, writer turns Prague roadsweeper; here too, double persona yields a mix of mundane and sublime, trivial and doomed. In "The Engine Driver's Story", Klima drives a friend, beaten-up by police to hospital, then is himself followed. Fear eats through every cobbled alley, yet the story turns absurd; he must find his driver's licence, which perhaps is valid, from people who may help or menace, in one of millions of bureaucratic files across Prague. As in Kafka, terror lies in meaninglessness; individual confusion, humiliation versus state power, control.

Part autobiography, part fiction, part reflection, all the strands of the stories are enmeshed in subtle parallels. Klima lived in Prague's jewish ghetto under Nazi occupation and repudiates all regimes which strip away humanity: "My experience of life so far led me to two simple, if contradictory, conclusions. The first one was: everything evil a person can imagine can in fact happen. The second derives from the first: nothing that will happen to me in life can be worse than what has already happened to me."

MY GOLDEN TRADES
by Ivan Klima
Granta £13.99, 284 pages

SPRING STREET SUMMER
by Christopher Hudson
Viking £16.99, 260 pages

GREAT MEADOW
by Dirk Bogarde
Viking £15.99, 207 pages

Klima echoes the lightness of being of his compatriot Milan Kundera; also the unquenchable curiosity of another victim of oppression, Primo Levi. Here, the joy in everyday lives, the laughter in the dark which marks his novels, are enhanced by a personal sense of the writer as he struggles through the dying fall of communist Europe.

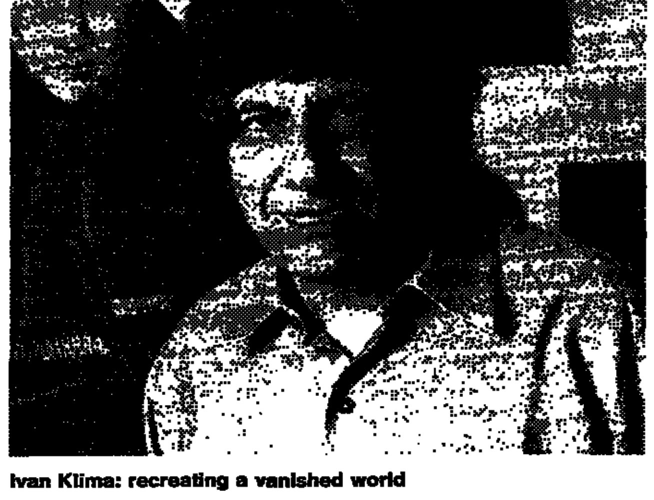
By contrast Hudson and Bogarde write elegies for a lost paradise. Hudson's problem is that he is so obtrusively the centre of his own Eden. In 1976 a young man – "let's call him C" – on a fellowship to research the history of paradise in western culture, visits the University of California at Santa Cruz as the nearest approximation to pre-lapsarian bliss in 1970s America. Now our author H retraces C's steps to find the "missing person" who spent a season high on drugs, sex and California sunshine in the communal house of *Spring Street Summer*. Cliché by cliché Arcadia returns: naked girls drape themselves in a snake while digging vegetables; C and girl friend Laura "made love on floors, on rugs, on the grass – pretty much everywhere except in bed."

What this book most recalls is not free love and orange juice but a heavy session with a friend: it has a ghoulish compulsion until, half a bottle of whisky later, you wonder how much more kiss and tell you can take. C was "the youngest commissioning publisher in London: now he was the youngest literary editor, and for a weekly journal internationally famous." Beautiful girls nibble his ear while he listens to George Steiner lecture, but he is of course just complexed enough to worry about the conquests he notches up. Presumably to explain this, his research – Christian guilt via Augustine and Aquinas – is dribbled through his story. It is as shallow and predictable as the third strand of recollection: the re-acquaintance with the Spring Street drop-outs who have grown up into 1980s lawyers and technologists.

Back before the Fall, Dirk Bogarde spent his childhood from 1927 to 1934 in a cottage in Sussex which is appealingly recalled in *Great Meadow*. There are summer rambles, harvest mice, Christmas puddings and arguments with nanny, while father, a *Times* journalist, rings London on Christmas Day from a pay phone in the village and meets Jewish refugees off the boat at *Newhaven*.

Bogarde sometimes sounds like Winnie the Pooh and seems unsure whether he is writing for adults or children. But he has a fine ear for period dialogue and sensitively sets the rumble of *realpolitik* against a quintessential evocation of the English pastoral *dream*.

Jackie Wullschlager



Ivan Klima: recreating a vanished world

Fiction

No hero needed

AT THE start, Elmore Leonard puts you right *there*: "Chris Mankowski's last day on the job, two in the afternoon, two hours to go, he got a call to dispose of a bomb"; or, "Dale Crowe Junior told Kathy Baker, his probation officer, he didn't see where he had done anything wrong." Those are from *Freaky Deaky* and *Maximum Bob*, Leonard's best to date.

Rum Punch, Leonard's 30th and latest, opens with a sentence that gives you who's doing what to whom, and where: "Sunday morning, Ordell took Louis to watch the white-power demonstration in downtown Palm Beach." Perfect.

This new one is par for Leonard. Jackie is a flight attendant caught with $50,000 out of Grand Bahama into Miami. She does a deal with the cops and finds herself in a Bahamian triangle consisting of an arms dealer called Ordell, a bail bondsman (business card, "Gentlemen Prefer Bonds") called Max, and an ex-con called Louis Gara. She promises to hand Ordell to the cops, and fixes with Max to walk off with $500,000 of Ordell's arms money while he's doing time in Club Fed.

This is typical of the Leonard genre. But how good is Leonard? Or as he says in *Get Shorty*, "Guy thinks he's mean. I wouldn't mind you ran into him. See if he's real."

Leonard began writing professionally at 42 in 1967; he had been in advertising, and turned his pen to sharp Westerns and a series of beautifully messy, unpretentious thrillers. He has few heroes; his characters are often confused middle-intelligence low-lifers on the make, trying to pull some modest scam that invariably goes wrong.

There are three things, all connected with the changing shape of Leonard's America, that set him apart from his forbears in the 1940s and 1950s, Raymond Chandler, Dashiell Hammett and Ross Macdonald.

First, Leonard writes provincial thrillers, sets them in LA, Miami, Detroit; he avoids the big-city image just as he avoids industry knowledge (racing, diamonds). He writes about cities the way Randy Newman sings about them: messy and bleak.

Second, Leonard has no narrator, no Lew Archer or Philip Marlowe; the scene follows the viewpoint of whoever Leonard is writing about: "Now it was the hip place to be in South Florida. Guys with sunglasses in their hair posed skinny girls on the beach and photographed them. There was no place to park any more on ocean drive." His characters are diverse, seeing the world in terms of their own prejudice: white trash, niggers, Hispanics.

RUM PUNCH
Elmore Leonard
Viking £14.99, 297 pages

Third, Leonard writes dialogue like film, straight from Damon Runyon and David Mamet, "You understand how this woman thinks? You do, huh? It even makes sense to you." Where a Chandler or Macdonald character will lurk in the shadow, light a cigarette, a Leonard character will introduce himself with a statement-question: "the *fock's* goin' on." The verbal energy comes from either doing or saying: "He racked the slide and stuck the gun inside his coveralls, saying to Louis, 'You ready? Let's shake and bake.'"

Leonard is unremittingly direct and precise, the action only as complicated as it needs to be. Each scene starts as close to the end as possible. There are no fancy murders, the victims are shot five times or thrown off a fifteen-floor building. In *Rum Punch*, Ordell visits a suspect out on bail: "He shot him in his bare chest. He seemed to cave in like the air was let out of him and Ordell put one in his head. Loud. Man, but it was a nasty gun the way it jumped and felt like it stung your hand ..."

The Leonard genre is not the classic detective novel. He avoids designer crime, and grafts the casual violence onto the local stock. These are never whodunits, they never involve big conspiracies, just local difficulty of the worst kind. The other Leonard trademarks, alongside the muscular dialogues and tricksy shifts of narrative, are an encyclopedic interest in light arms (*Rum Punch* reels with Uzis, AK-47s, Smith & Wessons), cars ("Olds Ninety-Eight, 12-gauge in the trunk"), and drugs. He peoples the action with colourful dead-ends, like Zorro, the Puerto Rican burglar with swords, hyper women and partners called *pistolocos*.

The genre, especially the recent novels, can be kind to women. There is little exploitative sex, even if it goes with sun and sea in Florida. His women are assertive, if not in charge. He rewrites the clichés for them. At the end of *Rum Punch*, Jackie has got away with the $500,000 and Max the bail bondsman has helped her. Will they split? "She walked around to the other side and looked across the low black Mercedes at him. 'Come on, Max. I'll take you away from all this.'"

Andrew St George

Life of Marvin ...

HOT ON the heels of A.N. Wilson's book on Jesus comes a novel by Gore Vidal on the same subject but with a considerably different tone and intention. Whereas Wilson ferrets earnestly for the "truth", Vidal treats the whole mish-mash with magisterial disdain. With unerring instinct he homes in not on Jesus himself but on the peripheral yet highly important figure of St Paul. The Gospel According To Gore Vidal opens like Genesis, "In the beginning ..." – but it continues, "was the nightmare and the knife was with St Paul, and the circumcision was a Jewish notion and definitely not mine".

St Paul sends a message from Heaven to his acolyte Timothy, a Bishop in the first century AD. A mysterious Hacker is erasing the story of Jesus as told in the Gospels. Timothy, as the only witness to the Crucifixion that the computer virus cannot get to, is to write everything down as he remembers it.

At this point the maid arrives with a television set. Timothy has no idea what a television set is but he is soon to learn. Through the set, as a hologram, there emerges Chester W. Claypoole, vice president of NBC-General Electric, who announces that he is planning to pre-record the Crucifixion "live from Golgotha". He wants Timothy to be anchorperson at the event.

From this moment on the novel moves backwards and forwards in what is not so much a time-warp as as time-scramble. As Timothy retraces his travels with St Paul it is revealed that "Saint" is a champion fund-raiser and crowd-pleaser. After his performances he passes round the collection box. He is an astute entrepreneur: it was his idea that the Messiah was too big an enterprise for just the one tribe. It also emerges that Jesus was only five feet tall and enormously fat. This shocking news is linked with the eerie presence of one Marvin Wasserstein, against whom St Paul has already warned Timothy.

After travelling to Corinth and Ephesus and being raped by Nero in Rome, Timothy finally meets Marvin himself who – horror of horrors – is not a hologram but a living person: small, thin, with thick glasses, and wearing a *yarmulke*. A shiver runs through Timothy as he realises that Marvin is the Hacker and that the Hacker is Jesus.

LIVE FROM GOLGOTHA
by Gore Vidal
André Deutsch £14.99, 232 page

A Zionist zealot, Jesus "fingered" Judas at the Crucifixion, persuading the Roman soldiers that the fat Judas was the Messiah. Jesus escaped, becoming Marvin Wasserstein with the master plan of re-writing the Gospels. Marvin's aim is to persuade the world that St Paul's great invention – that Jesus died on the Cross in order to save Gentiles as well as Jews – is utterly wrong. Jesus, King of the Jews, is to lead a nationalist insurrection and the world will end in nuclear war in the year 2001.

Dr Cutler, the brain behind the computer technology which has led to this pretty pass, persuades Timothy that he must denounce Marvin. He does so and the "real" Crucifixion takes place. Marvin transforms himself into the Messiah and, as the television camera pans upward from the face of the dead Christ to the sun, we see the figure of Amaterasu – the Sun Goddess from whom Japan's holy emperors are descended. Dr Cutler is not put out. Nippon is going to take over anyway, and to say that Jesus was a son of a Goddess and not of a God is a slight matter of gender, highly correct in today's world of triumphant feminism.

What will the effect of this outrageously cynical, irreverent book be? Nothing, I should think, except pleasure after the storm has blown over. Vidal has played God with the conflicting facts of the Christian story and established his own triumphant trinity.

In the first place, he has had a good old romp with the Academy, showing that he, too, if he cares, can be a post-Modernist, that he can out-Derrida the Deconstructionists with the twists and turns of his fantasy. In the second, he has mercilessly satirised television, whose audiences and commercial values he detests. In the third, he has poked fun at the Christian religion, putting the church of St Paul in line with the church of Oral Roberts.

The Fathers will bleat blasphemy, but in the end Vidal will have harmed no one. Christians are not going to put out a contract on him as the Moslems did on Rushdie, and the millions who believe in an ever-loving Jesus will be unmoved in their faith. Gore is sitting pretty.

Live from Golgotha is in the tradition of *Myra Breckinridge*, *Myron* and *Duluth*, but more pointed and more daring. At the age of 67 (today is his birthday), Vidal is still going strong. Who says there are no second acts in American lives?

Geoffrey Moore

Ethnic, but not ethic

THE war in the former Yugoslavia is not easy to explain. It is about a conflict between the rural and the urban population. It is about unsettled business between Croats and Serbs predating 1918. It is about different cultures imbued with weak traditions of obligation and contract. It is about societies seeking revenge because each believe they are the greatest victims of the past. Misha Glenny, the BBC's Central European correspondent, has tackled all these issues with sympathy and insight. In doing so, I hope the underlying theme of his excellent book has not been smothered.

The communist system imposed on Yugoslavia by the western powers and the late President Tito extolled the virtues of "Brotherhood and Unity" at the cost of brutally suppressing national feeling. This meant that Tito prevented any discussion about the past, in particular the complex relationship between Serbs and Croats. Glenny rightly argues that, until these two ethnic groups come to terms with each other, there will be no peace in the Balkan peninsula. The indefatigable United Nations peacekeepers in Croatia will testify to that.

The collapse of the communist system in turn exposed the schizophrenic nature of these two ethnic groups, each claiming to be more modern and European than each other, yet each doggedly locked in the past. Croatian president Franjo Tudjman, a former communist and army general, vowed to make his independent Croatia the "most democratic" of all democracies. Yet he never made room in the republic for the large ethnic Serb community, which was forced to sign a loyalty oath and treated as second-class citizens. This uncompromising attitude radicalised the Serbs in Krajina, south-west Croatia, and in eastern Croatia.

THE FALL OF YUGOSLAVIA: THE THIRD BALKAN WAR
by Misha Glenny
Penguin £5.99, 194 pages

Tudjman's vanity and authoritarianism, backed by Germany and some other western countries, played into the hands of Serbian president Slobodan Milosevic. Unlike Tudjman, who used power to create a nationalist state, Milosevic used nationalism (and the federal army) to pursue power. This meant that the Serbian leader could manipulate the Serbs in Croatia as long as they were of use to him. He will do the same in Bosnia until Bosnia's Serbs, led by Radovan Karadzic, have served their purpose.

It is difficult to know what Milosevic wants from his war with Croatia and Bosnia. As Glenny shows, his quest for a greater Serbia has already led to the violent destruction of Yugoslavia and Serbia's isolation. But one thing is certain from this cruel war: sons and daughters from mixed marriages are today forced to choose their ethnic background if they want rights to citizenship and property. That is the tragedy of Bosnia, once a rich ethnic patchwork, and the fate of the people of Sarajevo, one of the most cosmopolitan cities in the Balkans.

If Tudjman and Milosevic have forced the people of Bosnia, Croatia and Serbia to choose sides, Glenny believes Macedonia, Kosovo and the rest of the Balkan peninsula could follow suit. I would go one stage further. The war in Yugoslavia has sharpened ethnic divisions to such an extent that the Karadzics, Milosevics and Tudjmans will only be content once they have created ethnically-pure, but intolerant and thuggish states.

Indifference has led western governments into condoning this trend, which will have consequences for the eastern Europe and the republics of the former Soviet Union. In consequence of the use of ethnic criteria to create new states in the post-communist world, the prospects of these states creating civil societies based on the rule of law are as grim as the prospects of peace and democracy in the region.

Judy Dempsey

Going native: a scene from Coppola's 'Apocalypse Now' which had an uncharted madness of of its own

Lure of the wanderlust movie

Nigel Andrews on the jungle fever to which many directors are happy to succomb

IT USED to be confined to mad dogs and Englishmen. But the 20th century has evolved and so has the art of baring oneself to the elements in far-off climes. Along with other follies once associated with Victorian exploration or safari tourism – shooting rapids, braving monsoons, eyeballing wild animals – going to distant places to seek inspiration or romantic agony has become a *cinematic speciality*.

From the South America of *Aguirre, Wrath Of God* and *The Mission* to the Philippines-as-Vietnam of *Apocalypse Now*, film productions shot in inhospitable locales have grown their own mystical charisma: especially in an age when the march of civilisation has made such remote outposts of Nature rarer and rarer.

When two practitioners of the wanderlust movie now squiring their work through London – Roland Joffe (*City Of Joy*) and Werner Herzog (*Scream Of Stone*) – were offered to me for *FT* interviews, I thought about it and then declined. Main reason: I have met both men before and know the crash-course verbal deliriums they supply when asked to rationalise the irrational.

For there *is* an irrational beauty in the hostile-locale movie. The best such films succumb to the hallucinatory transports that afflict travellers lost in the desert, while even the worst provide moments of crazed beauty amid the banality. All the more reason not to trust the directors' PR arias. Doing so, you would believe that two key tendencies mark the wanderlust movie. It never fails to establish a miraculous, mutually improving rapport between the visitors and the place and its people. And it always ensures that no harm physical or cultural is done to the environment and its inhabitants, human or animal.

This last tendency is a worthy but menacing one. Though the jungle is still the ideal locale for wanderlust movies, blending lyrical luxuriance with danger and deprivation, it has been tamed by political correctness in recent years. Where the spell of that greatest of all postwar wanderlust movies, Herzog's *Aguirre* (1973), lay in its surrender to an anarchic Arcadia – a pre-lapsarian Eden where good and evil flourished unclothed and unnamed – modern movies like *The Emerald Forest, At Play In The Fields Of The Lord* and *Medicine Man* parcel out Paradise into neat moral equations. Primitive native society is good; civilised white society is bad. And just as the film unit itself must be seen not to harm its virgin location, so we the audience must hiss at any character *within* the film who tries to deflower the earthly Paradise.

Even Herzog in his latest movie *Scream Of Stone*, shot in a non-jungle South America, has succumbed to the modern labelling-and-lecturing habit. Though this mountaineering yarn often exposes itself thrillingly to its naked locales – mountain peak, glacier, icy crevasse – it is too glibly mapped out with moral markers whenever the characters swap action for dialogue. Note the opposition between the nasty media man played by Donald Sutherland, carrying the bacillus of white American civilisation, and the saintly-laconic native Indians or the Italian mountaineer (Vittorio Mezzogiorno) who lives hermit-like alone with Nature.

The best wanderlust films surrender to a dramatic as well as a physical *terra incognita*; the worst ones take a place and its spirit and torture them to fit a modish or pre-designed thesis. Thus Roland Joffe's films, from *The Killing Fields* and *The Mission* to his new *City Of Joy*, shot on Calcutta streets that proved no less foreign and hostile than the deepest jungle, function more powerfully in their early disorienting scenes – when the viewer like the characters must pick his way through a yet-unmapped labyrinth of places, themes and emotions – than when the signposts come out, moral and geographical, and the director hoves into view offering roadside assistance.

There are three main movie-making responses to wild places. Joffe, as *City Of Joy* demonstrates, is a message-monger foolish enough to try to bend wildernesses to his Western bromides about hope and humanism. Other film-makers like Herzog, at his best, are able to tune into the native wavelength and *find* inspiration rather than impose it in wild locales. For other film-makers still, a third and more perilous extreme beckons.

Here "going native" implies something grotesque and Conradian: as in the psychological jungle fever that overtook Coppola when filming *Apocalypse Now*, his updating of *Heart Of Darkness*. Out in the Philippines, Coppola's unit suffered everything from heart attacks (star Martin Sheen) to weather-destroyed sets (an entire mock-Vietnamese village) to the absurdist *coup de grace* of a guest star (Marlon Brando) at once too fat and too thinly-prepared for his crucial role.

Impossible to believe that this chaos would have raged if the film had been shot in a studio on soundstages and backlots (as Orson Welles planned to shoot *Heart Of Darkness* back in 1941, before he was sidetracked by *Citizen Kane*). But equally, *Apocalypse Now* captures something of the terrible beauty of an uncharted war in an uncharted land, if only by succumbing to some uncharted madnesses all its own.

But at best in the wanderlust genre, the spirit of place can be a force disciplining as well as terrifying, authenticating as well as disorienting. It may be Lillian Gish riding the ice-floes in Griffith's *Way Down East*; or the storm-torn landscapes sculpted by pioneer location director Robert Flaherty in his earliest docudramas (*Nanook Of The North, Man Of Aran*); or David Lean's epic frescoes of sand and light in *Lawrence Of Arabia*; or Klaus Kinski on his current-caught Amazonian raft, circling into madness in Herzog's *Aguirre*; or Herzog (again) conjuring dramatic as well as physical mirages from the deserts of *Fata Morgana* or *Even Dwarfs Started Small*.

Most recently of all, Bruce Beresford in *Black Robe* accompanied his crew and actors into Canada's wintry wastes and returned with a film overpowering in its beauty and sense of authenticity. Just as Brian Moore's original novel presented a moral wilderness shot through with primitive, patternless shafts of fear and love and cruelty, so Beresford found in his literal wilderness the courage to step away from stereotypes and storyboarded emotions to confront the savage – noble and ignoble – in us all.

The greatest challenge that the far-flung location issues to the film-maker is to throw away the old maps, dramatic as well as geographical, and to honour wild unknown worlds with new and bold dramatic patterns of his own.

An invitation to loiter with intent

Patricia Morison talks to Neil MacGregor, director of London's National Gallery

AT LEAST there *remains one issue* on which the Germans look to Britain for advice. Three years after reunification, the future of Berlin's museums is still being bitterly debated. Key speaker at a recent conference in Berlin was Neil MacGregor, director of London's National Gallery.

MacGregor explained to the *Financial Times* his belief that the same fundamental question now confronts those in charge of great public *art-collections*, whether in Berlin or Buenos Aires. "What kind of relationship is possible between the public and their collections?"

"In most European countries, there has been a fundamental *shift* from *providing for* the local public to the international tourist". MacGregor's strongly held view is that this is a betrayal, tantamount to whoring after false gods. Great collections which were in so many cases creations of the 19th century to benefit the local citizenry, should not at the end of the 20th century degenerate into "revenue earners from tourists."

MacGregor instances the Uffizi *Gallery and the Pitti Palace* in Florence as two museums which are now shrines to international tourism. Every visitor pays a L10,000 entry fee irrespective of whether they are students or residents. "Effectively, *and allowing for hyperbole*, Florence has been expropriated. Those collections could quite as well be anywhere else."

MacGregor is almost as critical of developments in Paris where he sees the Musée d'Orsay and the Louvre as "supreme examples of museums adapted to an international public". The public for which they cater is the average tourist with only three days in hand. *As in all tourist museums*, the emphasis is on fast "through-put" – and high expenditure.

At the Orsay, the former railway station now the museum of the 19th century, a *parcours* keeps the typical visitor running smoothly along the rails from circa 1800 to 1900. MacGregor sees poor labelling and lack of additional sources of information at the Uffizi, the Louvre and Rijksmuseum, as further proof of a stratagem aimed principally at "a world public".

An opposite philosophy governs at the National Gallery. "We set out to privilege the local population, which is to say, the frequent visitor." The ideal visitor is the loiterer with intent, obedient to the MacGregor scheme of making visitors slow down, sit rather than walk – and to come back.

The hang of the pictures is more spacious than in most continental museums; labels have become markedly more fulsome. A policy of small, popular exhibitions in the "Paintings in Focus" and "Brief Encounters" series has proved extraordinarily popular and is being copied by museums abroad.

Then there is all the back-up available to the inquisitive visitor. Computer terminals in the Sainsbury Wing's Micro Gallery "make the wilder shores of mythology and iconography accessible". There is a free monthly News Letter, free daily lunchtime lectures, evening debates, and weekend study-days. Warders are invited to early morning art-history talks to keep them *mentally on their toes.*

Central to MacGregor's concept of the Gallery's public is his resolute opposition to entry-charges. Interestingly, MacGregor and his trustees have also rejected the idea of introducing charges via the back-door by creating a "Friends" organisation, the marketting ploy now so popular even with non-charging museums such as the British *Museum and the Tate*. MacGregor may talk of "privileging" the locals but eschews talk which smacks any more strongly of elitism.

But there must always be a question whether the N.G. is, *even so, really user-friendly?* Ironically, in this month's Gallery newsletter playwright Alan Bennett uses an invitation to enthuse about a painting (Mantegna's *Agony in the Garden*) to rehearse his doubts about the *foot-aching experience* of gallery-going.

"In a museum I am informed and instructed. But with art ... I don't know. What am I supposed to think? What am I supposed to feel?" These are lines spoken by *Chubb, the MI5* man in Bennet's play, *A Question of Attribution.* How would MacGregor reassure the curious yet aesthetically insecure Chubbs among his public?

Give the pictures time, is his key advice to the naive visitor whom he likes to imagine strolling unhurriedly through the galleries and then, arrested by a picture, sitting down to look – or to draw, a process he particularly recommends to parents introducing children to the collection.

MacGregor quotes a favourite passage in Iris Murdoch's *The Bell*, in which a character feeling wretched goes to the Gallery for the thousandth time. Walking past familiar pictures "as through a well-loved grove" Dora feels calm descending on her. She looks pityingly at visitors peering at masterpieces, guidebook in hand. "Dora did not need to peer. She could look, as one can at last when one knows a great thing very well, confronting it with a dignity which it has itself conferred."

Neil MacGregor: no intention of pandering to world tourism

MacGregor's deeply-held belief is that "the pictures at Trafalgar Square are of such quality that they will speak, and say something which matters, if given time. Saturated as we are by the moving image, it has to be a conscious effort to look at, to relax into, one image for minutes at a time. MacGregor again refers admiringly to the 19th century, when museums were intended to *change* visitors.

"There's no point in reading Shakespeare's sonnets without bringing to it your own experience of love and rejection. It's just the same with Titian's "Bacchus and Ariadne", as most people realise if you sit them down to look." Great art will speak, even change the viewer, if he or she has the confidence to bring to it their own emotional experience.

"The dignity of the thing can be taken on by the looker. People take themselves seriously when they look at something of *supreme quality. That, I* think, is the key job of the reactionary art gallery – or traditional, if you prefer. All museums are the product of the Enlightenment. The end of enlightenment is a L10,000 fee at the Uffizi."

Badly handled science

THERE ARE times when the Royal National Theatre seems like one of those old east European state enterprises where nothing matters except meeting the production targets. The product may be faulty, some of the people concerned must know that it is faulty, but there is no way of stopping it once it is in the system. No-one stands back and says "look, we are inviting a paying audience to enjoy itself; this won't do." Perhaps the actors are too frightened to protest.

That is the charitable way of *looking at Tony Harrison's Square Rounds*, which opened at the Olivier on Thursday. A more unkind thought occurs: possibly the cast and directors are so involved in the performance that it does not occur to *them* to detach themselves and reflect on how awful it might look to the observer.

To be fair to Harrison, he does not describe *Square Rounds* as a play but rather as a "new theatre piece". It is unclear what that means except as an excuse for having no characters, no drama, no pathos, no jokes and no plot. *Square Rounds* is about chemical weapons and the old truism that while science can be a force for good, it can also be a force for ill. Nothing wrong with that as a theme; it is the way of handling it that matters.

After about the first two hours, I was preparing to write that nothing is as bad again as the first 20 minutes. That, however, is to reckon without the last 20. The piece opens with *the Kaiser's scientists* confronting the British over nitrogen and fertilisers: apparently the Brits had the wrong approach to defecation. The opening is scatological all the way. A huge, though mercifully *curtained*, WC *occupies* the centre of the stage.

Then there is a twist. German scientists demonstrate their superiority by speaking in verse, and it is in verse that the piece proceeds. This is a reference to the German, Fritz Haber, who was a prolific versifier and is here shown developing chemical weapons. There *is another slight twist in that* practically all the characters are played by women, including about 20 "munitionettes". A programme note lists 19 military inventions patented by women during the First World War, *among them the cartridge* tube filter, the incendiary ball and the single trigger mechanism, though what we are supposed to read into that is anybody's guess.

There is one pleasure along *the way. Sometimes* the women break into song. The music by Dominic Muldowney is consistently good and there is some wonderful keyboard playing directed by Helen Ireland. Ignore the words and *concentrate* on the sound.

The moral throughout seems to be that one weapons invention leads to another. Finally we abandon Anglo-German rivalry and move to China where they invented everything first. I found these *last* scenes racially offensive. The Chinamen (*sic*) are quite grotesquely parodied with silly grins and silly walks. A sample of the verse is: "Yes, we learned how to fling what we call *jen ching*/ And with a bamboo bazooka hurled/ What is plain shit to you (and human shit too)/ The first toxic bomb in the world."

The production is sponsored by KPMG Management Consulting. Sara Kestelman plays Fritz Haber while not being a munitionette. Harrison himself directs what can be only described as a regrettable anachronism.

Malcolm Rutherford

Radio/**B.A. Young**

Fidelity counts

THE BOOK in Radio 4's morning parliamentary slot this week is Sue Townsend's *The Queen and I*, which I think a very bad joke. Great Britain has become a democracy. The Royal Family is moved into council houses, so there are ready-made jokes about excessive furniture and the Queen having no coin for what is explained to her as the gas-meter. Miriam Margolyes, a player I much admire, does her best to imitate the royal voices. John Tydeman directs, doubtless out of loyalty to Townsend, for he directed *Adrian Mole* in its day.

On the other hand, Radio 4 shows its fidelity with the *Radio Times/Radio 4 Enterprise Awards*, for which we shall hear about the 12 shortlisted entrants over the weeks. There are two awards annually and this is the tenth year – £10,000 for a business founded between two and five years ago, and £5000 for one founded two years ago or less. This week the entry for the top award was Deep Sea Adventure, of Weymouth, a museum that former deep-sea diver Brian Cooper equipped to show the history and the adventure of his craft. It was opened in 1988 by the Princess Royal, and has become a great success.

For the other award, Richard Wilson and Carl Beeson bought an unused brewery and began to brew their own own beer, to be distributed by a wholesaler wherever there is a demand. If I can find a local pub serving Summerskill's Whistle Belly Vengeance, I shall certainly take a pint or so on its name alone. Just why Radio 4 should be subsidising private business out of my license fee is another matter, that I shall not discuss here.

Howard Wakeling's *A Bit of Berlin*, Radio 4's Monday play, was artificial, but provocative in theme. Vic and Barbara (James Grout and Rowena Cooper) visit their son Mark (Julian Rhind-Tutt) in Berlin, where he has lived for five years without seeing them. Vic is aghast to find that his son is gay, running a gay club with a young German. But he is in hospital after a beating-up by roughs from East Berlin.

Now Vic served in Berlin in 1946, and he and his mate beat up a Berliner whom they thought was a pervert. We hear the sound of this now and then. Then we get the similarly motivated attack on Mark, that has sent him to hospital. We are to see how thought has become freer since 1946, as shown, or not, in these folks' beliefs. But we we are never really in Berlin, either today, or in 1946. Little was done by author or director (Janet Whitaker) to suggest it. We could be anywhere: but not Zagreb.

If you kept switched on for the next programme, *The Yugoslavia Notes*, you had a vivid picture of Zagreb from American reporter William T. Vollman. This is not an account of the warfare, but of the effect of warfare on its denizens. Vollman tells of a visit to the cathedral, of a man hypnotised by a women's clothes shop window, of a father and his 18-year-old son in a restaurant. His speech suggests Hemingway, intent on the significant detail, with vividly near-poetic phrases irradiating the straightforward idiom. We are to have more of Vollman, and I think it may be memorable.

Authors' week on Radio 3. On Saturday, *Leps* gave Vladimir Nabokov's pleasant memories of catching butterflies – not live, alas, but read by Hugh Dickson. On Sunday, Somerset Maugham, though not exactly live, was heard in a recording of a live talk on his 80th birthday in 1954, dealing mostly with his previous 50 years. As a student, his flat cost him 18s. a week. A trip to Pisa, Florence and Venice was £30. Then he wrote *Liza of Lambeth*; and then he wrote *Lady Frederick*, which ran at the Royal Court for 18 months. The stammer we were accustomed to was no doubt edited out of the tape, for there was no sign of it. Next week, Compton Mackenzie.

Chess No 943: 1 Rf1. If Kd4 2 Qd3+ Ke5 3 f4. If Kxb5 2 Rb1+ Ka6 3 Qa8. If e5 2 Rb1 e4 3 Qxe4, or Kd4 3 Qd3.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Quick Draw McGraw. 7.35 Spider. 7.40 Animal World. 7.50 Lift' Bits. 8.15 Chucklevision. 8.35 Bucky O'Hare. 8.58 Going Live.

12.12 Weather.
12.15 *Grandstand.* Introduced by Steve Rider; including 12.20 Football. 1.00 News. 1.05 The Bath International Triathlon: More than 800 athletes attempt the 1,500m swim, 40km bike ride and 10km run. 1.55 Racing from Chepstow: The 2.00 South Wales Shower Supplies Handicap Hurdle. 2.10 Boxing: Richie Woodhall v John Ashton for the Commonwealth middleweight title. 2.30 Racing: The 2.35 Mercedes Benz Handicap Chase. 2.45 Hockey: England v Spain in the Women's International from Alexander Stadium, Birmingham. 3.05 Racing: The 3.10 Free Handicap Hurdle. 3.20 Hockey: England v Spain. 3.50 Football Half-Times. 4.00 Boxing. 4.40 Final Score. Times may vary.
5.05 News.
5.15 *Regional News and Sport.*
5.20 Dad's Army.
5.50 Big Break.
6.20 Bobby Davro: Public Enemy No 1.
7.00 Bruce Forsyth's Generation Game.
8.00 **Casualty.** A young boy is pressured into revealing secrets about his mother's affair. Duffy confronts Dr Robert Khalefa when he fails to spot a fracture on an x-ray. An elderly lady accuses the home help staff of beating her. Guest starring Jesse Birdsall.
8.50 News and Sport; Weather.
9.10 **Film: The Dream Team.** Sentimental comedy. Four inmates from a psychiatric hospital abscond on a day trip to New York and foil a murder plot. Michael Keaton stars (1989).
11.00 **Match of the Day.** Desmond Lynam introduces highlights of two of the day's top Premier League fixtures. With analysis and discussion by Alan Hansen and Gary Lineker.
12.00 **Film: Everything You Always Wanted to Know About Sex (But Were Afraid to Ask).** Bawdy Woody Allen comedy dealing with all things sexual. Allen stars alongside Lynn Redgrave, Anthony Quayle, Burt Reynolds, Gene Wilder and a sheep (1972).
1.25 Weather.
1.30 Close.

BBC2

8.00 Open University. 9.05 Film: Humoresque. 11.05 Film: The Love Test. 12.05 pm Holiday Outings. 12.15 Film: Which Way to the Front?

1.50 Network East.
2.20 **In Search of the Dead.** New series. Can aspects of the human personality survive death? Scientists explore in a three-part investigation.
3.00 Knight and Daye.
3.25 Animation Now.
3.35 **Film: Hawaii.** Adaptation of James Michener's novel. A 19th century missionary imposes his beliefs on the islanders - with disastrous results. Starring Max von Sydow and Julie Andrews (1966).
6.10 **Late Again.** Highlights of the week including the playwright John Byrne defending his play Colquhoun and MacBride.
6.55 News and Sport; Weather.
7.10 **Rumours of Rain.** Investigating the work of Oxfam, 50 years old this week. Featuring a theatre project to help a local community in the Philippines, and looking at the power-struggle within the charity - will the staff in India gain more independence from head office?
8.10 **War and Peace Season: Introduction.** A season of programmes examining the human cost of modern warfare, including documentaries, BBC drama and comedy, and British war films.
8.20 **Gaze of the Gorgon.** Tony Harrison's verse commentary on the horrors of modern war.
9.10 **Testament of Youth.** Re-run of the award-winning five-part series set during World War One.
10.05 The Brain Drain.
10.35 **Film: Oh What a Lovely War.** Musical satire about World War One, directed by Richard Attenborough. Starring Dirk Bogarde, John Gielgud, Laurence Olivier, Vanessa Redgrave and John Mills (1969).
12.50 **Film: Paths of Glory.** Military drama. Kirk Douglas plays an officer who finds politics can be as deadly as warfare when he defends three soldiers accused of cowardice. *Directed by* Stanley Kubrick (1957).
2.20 Close.

LWT

6.00 TV Am. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 ITN News; Weather.
1.05 LWT News; Weather.
1.15 *Starting from Scratch.*
1.45 Matlock.
2.45 The Life and Times of Grizzly Adams.
3.45 WCW Worldwide Wrestling.
4.40 ITN News and Results; Weather.
5.00 LWT News; Weather.
5.05 Cartoon Time.
5.15 **Dinosaurs.** When Fran becomes the host of a TV advice show, Earl advises her to stay in the kitchen where she belongs.
5.45 Catchphrase.
6.15 The Gladiators are Coming!
6.30 **Film: The Living Daylights.** Premiere. Secret agent heroics with Timothy Dalton making his debut as 007. James Bond helps the Soviet authorities chase a KGB defector. Maryam d'Abo and Joe Don Baker also star (1987).
8.50 Dame Edna's Neighbourhood Watch.
9.20 **Thirty Years of James Bond.** Sean Connery, George Lazenby, Roger Moore and Timothy Dalton are brought together for the first time to talk about what has kept these films at the top of the British film industry since the 1960s. Featuring rare behind-the-scenes footage.
10.20 **World Championship Boxing.** Two years after losing his WBO title to Chris Eubank, Nigel Benn moves up a division to Super-Middleweight and takes on current champion, Italy's Mauro Galvano for the WBC crown. Live and exclusive action from Ostia, near Rome.
11.00 ITN News; Weather.
11.15 LWT Weather.
11.20 Hale and Pace.
12.50 Almost Grown.
12.50 Get Stuffed; ITN News Headlines.
12.55 The Big E.; ITN News Headlines.
1.55 La Carrera Panamericana.
2.50 New Music.
3.50 Rhythm 'n' Raag.
4.20 Out of Limits.
4.30 The Hit Man and Her.

CHANNEL4

6.00 Early Morning 10.00 Quizbowl 10.30 Gazzetta Football Italia. 11.30 American Football: Play Action. 12.00 Get Smart. 12.30 pm Songs and Memories.

1.00 **Film: Jewel Robbery.** A sophisticated *gentleman thief begins a* romance with a baroness whose ring he has stolen. Starring William Powell and Kay Francis (1932).
2.15 **Racing from Newmarket and Longchamp.** Including from Newmarket the 2.30 Choke Jade Handicap Stakes, 3.00 Cheveley Park Stud Sun Chariot Stakes, 3.40 William Hill Cambridgeshire Handicap, 4.15 Jockey Club and 4.45 Allington Maiden Fillies' Stakes. Plus from Longchamp the 2.20 Ciga Prix de Royallieu, 2.50 Ciga Prix du Cadran, 4.00 Ciga Grand Criterium, and 4.35 Ciga Prix Dollar.
5.05 Brookside.
6.30 Right to Reply.
7.00 **The World This Week.** International affairs programme.
8.00 **Another Bloody Sunday.** The last documentary about Yorkshire life profiles Doncaster Rugby League Club as it 'celebrates' a losing streak of 19 games. Although every Sunday is a nightmare, there is still pride, hope and, above all, humour.
9.00 **Court TV: America on Trial.** Cynthia McFadden introduces real-life American justice in action.
10.00 Let the Blood Run Free.
10.30 **Film: La Vie Est Un Long Fleuve Tranquille.** A wealthy upper-class couple learn that 12 years ago their newborn son was swapped for the daughter of a poor criminal family. French comedy, starring Benoit Magimel (1988).(English subtitles).
12.15 Lifers Group.
12.40 Australian Rules Football.
1.40 **Film: Saturday Night at the Palace.** *Powerful racial drama* starring Paul Slabolepszy as an out-of-work white racist who torments a burger bar manager in Johannesburg. With John Kani and Bill Flynn (1987).
3.15 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
1.05 Anglia News. 1.35 Chequered Flag. 2.05 McCloud: The Man with the Golden Hat. (1974) 5.00 Anglia News and Sport 11.15 Regional Weather. 11.50 Jake and the Fatman.
BORDER:
1.05 Border News 1.10 Kick Off. 1.38 You're Only Young Twice. (1952) 3.00 Granada Sports World. 5.00 Border News and Weather 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.50 Neighbours. (1981)
CENTRAL:
11.30 The Mountain Bike Show. 1.05 Central News 1.10 Rocksport. 1.25 The Life and Times of Grizzly Adams. 2.20 Superman. 2.50 Brand New Life. 3.45 Cartoon Time. 5.00 Central News 5.05 The Central Match - Goals Extra. 11.15 Local Weather. 11.50 The Big Chill. (1983)
CHANNEL:
11.30 Blockbusters. 1.05 Diary Dates. 1.10 Motor Sport Special. 1.40 Cactus Jack. (1979) 3.20 Zorro. 3.45 The A-Team. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 5.15 Cartoon Time. 5.30 Dinosaurs. 6.00 Catchphrase.
GRAMPIAN:
1.05 Grampian Headlines 1.10 Calptean Planald. 1.40 Cuirm Cloinne 1.50 The Intruders. 2.15 Chequered Flag. 5.00 Grampian Headlines and Weather 5.05 Put It In Writing. 5.30 Dinosaurs. 6.00 Catchphrase. 11.15 Grampian Weather. 11.50 Neighbours. (1981)
GRANADA:
11.30 Zorro. 1.05 Granada News 1.10 Kick Off. 1.30 Carry On Nurse. (1959) 3.00 Granada Sports World. 5.00 Granada News 5.10 Granada Goals Extra. 5.20 Pepe le Pew. 5.30 Dinosaurs. 6.00 Catchphrase. 11.50 Neighbours. (1981)
HTV:
1.05 HTV News. 1.10 Smokescreen. (1964) 2.30 The Mountain Bike Show. 3.00 Chequered Flag. 3.30 Kraft Tour Tennis. 4.00 Cartoon Time. 4.10 An Invitation to Remember. 5.00 HTV News and Sport 5.45 The Gladiators are Coming! 6.00 Catchphrase. 11.50 Almost Grown.
SCOTTISH:
1.05 Scotland Today. 1.10 Calptean Planald. 1.40 St Martin's Lane. (1938) 3.15 Highway to Heaven. 4.10 Bullseye. 5.00 Scotsport Results. 5.10 Scotland Today 11.15 Scottish Weather. 11.50 Used Cars. (1980)
TSW:
11.30 The South West Week. 1.05 TSW News. 1.10 Discovering Gardens. 1.40 The Round the World Yacht Race. 2.40 Hans Christian Anderson. (1952) 5.00 TSW News. 5.05 Gus Honeybun's Cartoon Time. 11.15 TSW Weather. 11.50 Neighbours. (1981)
TVS:
11.30 Blockbusters. 1.05 TVS News. 1.10 Motor Sport Special. 1.40 Cactus Jack. (1979) 3.20 Zorro. 3.45 The A-Team. 5.00 TVS News. 5.15 Cartoon Time. 5.30 Dinosaurs. 6.00 Catchphrase.
TYNE TEES:
1.05 Regional News. 1.10 1992 Mountain Bike Championship. 1.40 Chequered Flag. 2.05 The True Story of Jesse James. (1956) 3.45 The Life and Times of Grizzly Adams. 5.00 Northern Life Sport Special. 11.50 Neighbours. (1981)
YORKSHIRE:
11.30 The Munsters Today. 1.05 Calendar News. 1.10 The A-Team. 2.05 The True Story of Jesse James. (1956) 3.45 Baywatch. 5.00 Calendar News. 11.15 Local Weather. 11.50 Horror Express. (1972)

SUNDAY

BBC1

7.15 Film: Night of the Party. 8.15 Film: Pardon Us. 9.10 News. 9.15 Start Your Own Religion. 9.30 This is the Day. 10.00 See Hear! 10.30 Inside English. 10.45 Lingo! How to Learn a Language. 11.00 Careering Ahead. 11.30 Winning.

12.00 Spain on a Plate.
12.30 Country File.
12.55 Weather for the Week Ahead; News.
1.00 **On the Record.** Political interviews, with Jonathan Dimbleby.
2.00 EastEnders.
3.00 Eldorado.
3.30 **Film: Doctor in the House.** Comedy about the amorous adventures of a group of medical students. Starring Dirk Bogarde, Kenneth More and Kay Kendall (1954).
4.55 Cartoon.
5.05 **Radio 1 25th Anniversary.** Jason *Donovan, Status Quo and Aswad* are among those joining in the celebration.
5.45 **The Clothes Show.** *New series.* Jeff Banks and Caryn Franklin return with a look at animal *prints, the colour red, the longer* skirt, and the ankle boot.
6.10 The Survival Guide to Food.
6.20 News.
6.25 **Songs of Praise.** Jill Dando introduces a concert of some of the all-time male voice choir favourites at Truro Cathedral.
7.15 Keeping Up Appearances.
7.45 **The House of Eliott.** Beatrice and Evie are to design the costumes for a ballet. But Beatrice's close involvement with the choreographer causes problems.
8.40 Birds of a Feather.
9.10 News and Weather.
9.25 **Screen One: Seconds Out.** After a promising boxer is accused of rape, his dreams of a title fight go up in smoke. When released, he has to fight for his life. Steven Waddington and Tom Bell star in this drama from Prime Suspect writer Lynda la Plante.
10.55 **Everyman.** Tracing an Englishwoman's correspondence with a prisoner on Florida's Death Row. Retired teacher Mary Grayson from England and condemned murderer Ray Clark wrote to each other for two months before his execution.
11.35 **Television, Memory, Race 1936-1992.** Second of two films considering the contribution of blacks and Asians to TV.
12.25 Weather.
12.30 Close.

BBC2

7.30 Felix the Cat. 7.45 Playdays. 8.10 Smoggies. 8.35 Animal Album. 8.50 Orville and Cuddles. 8.55 Bitsa. 9.15 The Legend of Prince Valiant. 9.40 The Wetter the Better. 10.05 Thundercats. 10.30 Uncle Jack and the Dark Side of the Moon. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 **Film: Masters of the Universe.** Dolph Lundgren stars as muscle-bound superhero He-Man in an adaptation of the children's cartoon series. Also starring Frank Langella and Meg Foster (1987).
3.25 A Telephone Double Bill.
4.30 Great Sporting Moments.
4.50 **Rugby Special.** New series. An exciting new season is in prospect, with several changes to the rule book and visits to the British Isles by Australia and South *Africa. The programme features* the National League game between Wasps and Leicester, and Nigel Starmer-Smith provides the commentary.
5.50 One Man and His Dog.
6.35 **The Money Programme.** For more than 50 years the De Beers company has tightly controlled the diamond market. Can Russia, the world's largest producer of diamonds, break the monopoly?
7.15 **The Living Planet.** Following the Amazon river to show vast changes of wildlife over its 4,000-mile journey to the Atlantic Ocean.
8.10 Did You See?
8.40 **The Look.** Unravelling the complex tangle of interests among designers, buyers, retailers and the fashion media.
9.30 **Building Sights Europe.** French architect Odile Decq reflects on the Nemausus housing council complex in Nimes, France.
9.40 Word in Your Era.
10.10 **Film: Sophie's Choice.** An aspiring novelist befriends a beautiful Polish immigrant and her Jewish lover. But his world is shaken when he gets to know their dark and devastating secrets. Emotional drama, starring Meryl Streep in an Oscar-winning performance, with Kevin Kline and Peter MacNicol (1982).
12.35 The Night Stalker.
1.35 Close.

LWT

6.00 TV Am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 The Human Factor. 12.30 pm An Invitation to Remember. 12.55 LWT News; Weather.

1.00 ITN News; Weather.
1.10 **Walden.** Brian Walden questions major political figures, including Michael Heseltine, president of the Board of Trade.
2.00 Bullseye.
2.30 **The London Match.** Brentford v Newcastle. Ian St John introduces live coverage of the Football League clash from Griffin Park. Commentary by Brian Moore.
5.05 Baywatch.
6.00 Animal Country.
6.30 ITN News; Weather.
6.35 LWT News; Weather.
6.40 **Highway.** Sir Harry Secombe celebrates the success of the Ebbw Vale Garden Festival in Wales. He talks to the Rev John Hanson and Hilary Winstanley of Churches Combined, and Alan Pasley, the man responsible for the regeneration of the Ebbw Valley.
7.15 You've Been Framed.
7.45 **The Ruth Rendell Mysteries.** Part two of The Speaker of Mandarin. Adela Knighton's death convinces Wexford that the key to her murder lies somewhere in China. George Baker and Christopher Ravenscroft star.
8.45 **London's Burning.** Blue Watch mount a rescue mission when their mascot is kidnapped. Romance is in the air for Colin. Bayleaf's ex-wife claims he and Clare are unfit to look after his daughter. Starring James Hazeldine and Stephen North.
9.45 *ITN News; Weather.*
10.00 LWT Weather.
10.05 Spitting Image.
10.35 **The South Bank Show.** New series. Profiling Scots comedian Billy Connolly as he celebrates 25 years in showbusiness. Billy talks to Melvyn Bragg about his often violent childhood, the beginnings of his career while working as a shipyard welder, the pressure of fame and his current work.
11.35 Cue the Music.
12.35 Derrick.; ITN News Headlines.
1.45 The ITV Chart Show.
2.45 Get Stuffed; ITN News Headlines.
2.50 Night Heat.
3.55 Get Stuffed.
4.00 Pick of the Week.
4.30 Memories of 1970-1991.

CHANNEL4

6.00 Early Morning. 8.25 Laurel and Hardy. 9.30 Dennis. 9.45 Flipper. 10.15 If Wishes Were Horses. 10.45 Voyage to the Bottom of the Sea. 11.45 Little House on the Prairie. 12.40 pm Four-Mations: Gerald McBoing Boing and Cockaboody.

12.55 **Film: Blithe Spirit.** Novelist Rex Harrison is vexed when the ghost of his first wife appears. Supernatural fantasy, also with Kay Hammond and Margaret Rutherford (1945).
2.45 **Football Italia.** Live coverage of a top match from Serie A. Action from other games includes AC Milan v Florentina, Juventus v Napoli, Torino v Sampdoria and Lazio v Parma.
4.55 **Prix De L'Arc De Triomphe.** Brough Scott presents France's *premier horse race.*
5.15 **Answering Back.** Susannah Simons interviews Amstrad and Tottenham Hotspur chairman Alan Sugar. *Is the entrepreneurial style that brought Sugar success in the 1980s sustainable in the future?*; News.
6.00 The Miraculous Mellops.
6.30 The Cosby Show.
7.00 **Equinox: Homes on Wheels.** Exploring the design and manufacture of mobile homes.
8.00 **Tights Camera Action! Lea** Anderson introduces director/choreographer Stefan Schneider's production of Waterproof, performed by Compagnie Astrakan.
8.30 American Football.
10.00 **Film: Tap.** The son of a famous tap dancer becomes torn between following in his father's footsteps and embarking on a life of crime. *Affectionate drama,* starring Gregory Hines and Suzanne Douglas (1988).
12.00 **Film: Why Has Bodhi-Dharma Left for the East?** An old Zen master teaches his disciples about the trials and dilemmas of existence. Religious drama, starring Pan-Yong Yi and Won-Sop Sin (1989).(English subtitles).
2.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
12.30 Gardening Time. 12.50 Anglia News. 2.00 Heirloom. 2.30 Candid Camera Classics. 2.55 BMX Bandits. (1984) 4.35 Baywatch. 5.30 Bullseye. 6.35 Anglia News. 11.35 The Young Riders.
BORDER:
6.00 TV Am. 12.30 Gardening Time. 12.55 Border News. 2.00 Chequered Flag. 2.30 Escape From the Dark. (1976) 4.30 Animal Country. 5.00 Scotsport. 6.00 Bullseye. 6.35 Border News. 11.35 Prisoner: Cell Block H.
CENTRAL:
12.30 Gardening Time. 12.55 Central News 2.00 Memories of 1973. 2.45 The Central Match. 6.00 Bullseye. 6.35 Central News 10.00 Local Weather. 11.35 Science Fiction.
CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Jornal. 2.00 International Yacht Racing. 2.30 Red Nine. 3.00 Pippi on the Run. (1970) 4.30 Bullseye. 5.00 Baywatch. 6.35 Channel News.
GRAMPIAN:
12.30 Jack Thompson Down Under. 12.55 Grampian *Headlines.* 2.00 International Yacht Racing. 2.30 Covington Cross. 4.00 Animal Country. 4.30 Bullseye. 5.00 Scotsport. 6.00 Scotland's Larder. 6.35 Grampian Headlines. 11.35 Prisoner: Cell Block H.
GRANADA:
12.25 Chalte, Chalte. 12.55 Granada News 2.00 Granada Action with the A Team. 2.30 Cartoon. 2.40 The Life and Times of Grizzly Adams. 3.40 McCloud: The Great Taxicab Stampede. (TVM 1976) 5.00 Bullseye. 5.30 Coronation Street. 6.35 Granada News 11.35 Prisoner: Cell Block H.
HTV:
12.30 West Country Farming. 12.55 HTV News. 2.00 Challenge of the Seas. 2.30 WCW Worldwide Wrestling. 3.20 Panic in Bangkok for Agent OSS 117. (1964) 5.30 Bullseye. 6.35 HTV News.
SCOTTISH:
11.30 Sunday Service. 12.30 Journeys. 12.55 Scotland Today. 2.00 Cartoon. 2.05 Savannah Smiles. (1982) 4.05 Baywatch. 5.00 Scotsport. 6.00 Scotland's Larder. 6.35 Scotland Today 10.00 Scottish Weather. 11.35 Sprockets.
TSW:
12.30 TSW Farming Week. 12.55 TSW News. 2.00 Rock Sport. 2.20 Gus Introduces Frootie Tooties. 2.30 Highway to Heaven. 3.25 Barney. (1971) 5.00 Bullseye. 5.30 Cobblestones, Cottages and Castles. 6.35 TSW News. 11.35 Prisoner: Cell Block H.
TVS:
12.30 TVS News. 12.35 Agenda. 2.00 International Yacht Racing. 2.30 Red Nine. 3.00 Pippi on the Run. (1970) 4.30 Bullseye. 5.00 Baywatch. 6.35 TVS News.
TYNE TEES:
12.25 Earthmovers. 12.55 Regional News. 2.00 Dogs with Dunbar. 2.30 Around the World in 15 Minutes. 2.45 The Match. 5.05 Animal Country. 5.30 Bullseye. 6.00 Pieces of Parkin. 6.35 Regional News. 11.35 Prisoner: Cell Block H.
YORKSHIRE:
12.25 A Very Merry Cricket. 12.50 Calendar News. 2.00 Highway to Heaven. 2.45 Carry On Nurse. (1959) 4.30 Olympic Encore - Paralympics '92. 5.00 Animal Country. 5.30 Bullseye. 6.00 Calendar. 6.35 Local Weather. 10.00 Local Weather. 11.35 The Great Waldo Pepper. (1975)

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Nick Barraclough's New Country. 1.00 Hancock's Half Hour. 1.30 The News Huddlines. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Magnificently Improper. 5.00 Cinema 2. 5.30 Screenplay. 6.00 In Concert. 7.00 Yesterday Forever. 7.30 An Evening With Dudley Moore. 9.30 Easy Does It. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 John Terrett. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 The Frozen Jewel of Potosi.
2.20 Dvorak.
3.00 Vienna: The Philharmonic Years 1842-1992.
5.00 Jazz Record Requests.
5.45 Opera News.
6.30 Schubert.
7.25 I Capuletti ed I Montecchi.
10.20 Letter from Sanbago.
10.40 Beethoven Cello Sonatas.
11.30 Impressions.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Conference Special: The Labour Party.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers?
2.30 Saturday Playhouse.
4.00 Science Friction.
5.00 The Living World.
5.25 Fourth Column.
6.00 News and Sports Round-up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Beyond Belief.
9.20 Music In Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Fire Shut Up In My Bones.
10.45 Joining the Cubs.
11.00 Tingle Factor.
11.30 The Miles and Millner Show.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
9.30 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.06 Six-O-Six.
7.30 Le Top.
9.00 Afropop Worldwide.
10.15 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be *received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:*
5.45 Programmes in German. 6.30 Europe Today; Weather. 7.00 News; The World Today. 7.30 Programmes in French; Weather. 8.00 Newsdesk. 8.30 People and Politics. 9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports Roundup. 11.00 News Summary. 11.01 Jazz Now and Then. 11.15 Letter from America. 11.30 Waveguide; Book Choice. 11.45 From the Weeklies. 12.00 Newsdesk; Travel News. 12.30 BBC English. 12.45 Mittagsmagazin. 1.00 News; Words of Faith. 1.15 *Multitrack 3. 1.45 Sports* Roundup. 2.00 Newshour. 3.00 Club 648. 3.15 Sportsworld. 4.00 News. 4.15 Sportsworld (Continued). 5.00 News; Programmes in French. 5.30 Programmes in German. 6.00 News Summary; Omnibus. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 Programmes in German. 9.00 News; Personal View. 9.25 Words of Faith. 9.30 Europe This Weekend. 9.55 European Sports News. 10.00 Newshour. 11.00 News; Meridian. 11.45 Sports Roundup. 12.00 News; Words *of Faith;* Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken *Bruce Show.* 2.00 *News* Summary. 2.01 Play of the Week: Ubu Roi. 3.00 Newsdesk. 3.30 The Invaders Legacy: Latin America 500 Years On. 4.00 News; News About Britain. 4.15 Sports Roundup. 4.30 From Our Own Correspondent. 4.50 Write On.

CLASSIC FM 6.00 Sarah Lucas.
9.00 Classic CD Chart Rundown.
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Introduction to the Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
3.00 Andre Leon.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Tea at Claridge's. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 The Arts Programme. 12.05 Nick Barraclough's New Country. 1.00 John Terrett. 4.00 Charles Nove.

BBC RADIO 3
6.55 Weather.
7.00 Concert.
9.00 News.
9.05 Brian Kay.
12.00 Spirit of the Age.
1.00 News.
1.05 Replay.
1.25 Verdi Requiem.
2.50 Spanish Sonatas.
3.20 Schubert Duets.
4.30 Vespers.
5.45 Listening to Elgar.
6.30 Northern Chamber Orchestra.
7.30 Sunday Play.
9.10 Lufthansa Festival of Baroque Music 1992.
10.45 Music in Our Time.
11.55 Bach.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.50 Patricia Hayes.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
4.00 The Clash of Absolutes.
4.47 Treasure Islands.
5.00 The Why Child.
5.30 Poety Please!
6.00 Six O'Clock News.
6.15 The Village.
6.30 Twenty Thousand Frenchmen Under the Sea.
7.00 In Business.
7.30 A Good Read.
8.00 Opinion.
8.30 Enterprise 92 Awards.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Science Friction.
11.15 Derwentwater's Farewell.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: *Newshour.*
6.30 Weekend Edition.
9.30 The Power.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Sunday Brunch.
1.40 Open Forum.
2.00 Kitchen Cabinet.
2.30 Room 101.
3.00 Sunday Sport.
6.00 Walking In Big Footsteps.
6.30 Education Matters.
7.15 How We Lived Then.
7.30 When In Italy.
8.00 Restart French.
8.30 Deutsch Express.
9.00 Dragnet.
9.30 Club Class.
10.10 Across the Line.
12.00 Close.

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CLASSIC FM 6.00 Sarah Lucas.
9.00 Classic Romance.
12.00 CD Requests.
2.00 Celebrity Choice.
3.00 Robert Booth.
7.00 The Love Lives of the Great Composers.
8.00 Classic FM Concert.
10.00 Sunday Night Out.
11.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.
3.00 Andre Leon.
4.00 Love Lives of the Great Composers.

CHESS

JUST WHEN Bobby Fischer seemed to have regained his old incisive form, he played his worst game so far against Boris Spassky, who reduced his match deficit to 3-5 on Wednesday. In recognition of the propaganda of the $5m (£2.8m) series, Serbia's ruling party postponed its congress at the new match centre in Belgrade, where the players are accommodated in the diplomatic quarter.

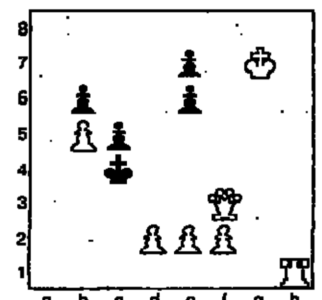
Fischer then made a rare concession, accepting a floor-to-ceiling glass panel across the stage insulating him from the audience rather than the giant dome he had demanded. Game 12 was thus a blow to his credibility, as his strangely passive opening allowed Spassky an easy winning attack (Spassky, White; Fischer, Black; game 12, 1992).

1 d4 Nf6 2 c4 g6 3 Nc3 Bg7 4 e4 d6 5 f3 0-0 6 Be3 Nc6 7 Nge2 a6 8 h4 h5 9 Nc1 Spassky improves on his Qd2 and Bh6 of game 8 e5 10 d5 Ne7? The natural centraliser is Nd4. 11 Be2 Nh7 12 Nd3 f5 13 a4 Nf6 14 Nf2 a5? 15 Qc2 c5? He should keep the flexible option of c7-c6 instead of blocking the position.

16 0-0-0 b6 17 Rdg1 White's rooks will invade down the g or h file. Already there may be no good defence. Nh7 18 Nb5 Kh8 19 g4 hxg4 20 fxg4 f4 21 Bd2 g5 22 hxg5 Ng6 23 Rh5 Rf7 24 Rgh1 Bf8 25 Qb3! The queen joins in with decisive effect. Rb8 26 Qh3 Rbb7 27 Nd3 Kg8 28 Ne1 Rg7 29 Nf3 Rbf7 30 Rh6 Qd7 31 Qh5 Qxg4 If the knight retreats, 32 g6 wins.

32 Rxg6 Qxh5 33 Rxg7+ Rxg7 34 Rxh5 Black is a piece down and should resign, but Fischer grovelled on till move 54. Gary Kasparov will sleep soundly after games like this.

CHESS No 943



White mates in three moves, against any defence (by J Berger, 1887).

Leonard Barden

Solution Page XIX

BRIDGE

TODAY'S hand from rubber bridge illustrates how lack of *thought costs declarer his con*tract. We study The Wrong Suit:

	N	
	♠ K Q 7 6 2	
	♥ K 10	
	♦ 6 4	
	♣ Q J 4 3	
W		E
♠ A 4		♠ 10 9 8 5
♥ 9 7 6 4 3		♥ 8 2
♦ K 10 8 7 2		♦ 9 5 3
♣ 6		♣ A 10 9 8
	S	
	♠ J 3	
	♥ A Q J 5	
	♦ A Q J	
	♣ K 7 5 2	

With North-South game, South was dealer and opened the bidding with one heart. North replied with one spade, South re-bid two no-trumps, and three no-trumps from North concluded the auction.

West started off with the seven of diamonds. Winning East's nine with his queen, the declarer led his two of clubs, West produced the six, and dummy's queen was won by the ace. East returned diamond five to knave and king, and the diamond 10 - SPS for a spade *return - cleared West's suit.* South led another club and West showed out - the suit was worth only two tricks - so the declarer had to look to spades for his ninth trick. West took his ace at once and defeated the contract with his two diamond winners.

So, you say, the correct play at trick two was the spade knave. Not at all - the black aces might have been reversed - but it works as the cards lie. At trick two, South should cross to the heart 10 and return the three of clubs to his king. If West wins, he cannot attack diamonds, and South has time to set up a spade trick; if East takes with the ace, he sets up three tricks in the suit for declarer, so he ducks.

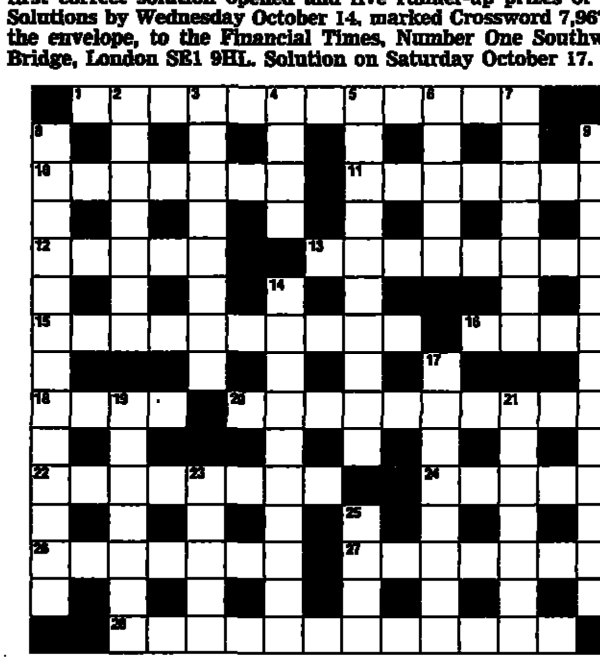
Now South plays the spade knave. If this is ducked, the safest line is to lead a club to the knave and sail home with one spade, four hearts, two diamonds and two clubs.

E.P.C. Cotter

CROSSWORD

No. 7,967 Set by DINMUTZ

***A prize of a classic Pelikan Souveran 800 fountain pen for the* first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday October 14, marked Crossword 7,967 on the *envelope*, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 17.**



Name...

Address..

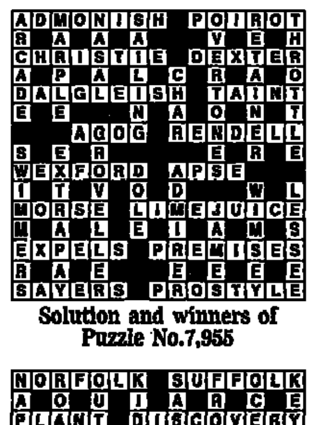
ACROSS

1 Loving and giving issue (7,5)
10 Married lady of fourteen? (7)
11 Surrounded by flying gnats, doctor is brought in (7)
12 Foreign article contains a fab*rication* (5)
13 Habitue of Her Majesty's, say? (8)
15 Consultant's list as epic problem (10)
16 House in Kent area, next to motorway (4)
18 Northern Line's reported a bump (4)
20 What puts God in distress? Here's a clue! (10)
22 Square series of grooves is insignificant (8)
24 Cats crossed in the jungle? (5)
26 This Japanese art is increasing, you could say (7)
27 Enormous or small bird with a nice short tail (7)
28 Cen. Marrakesh turn? (5-7)

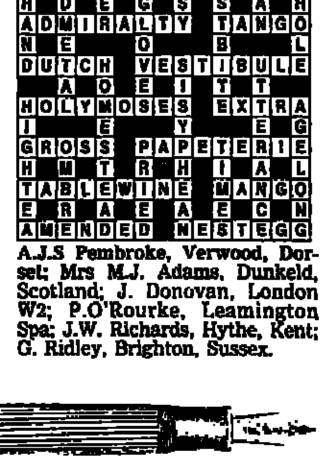
DOWN

2 Maigret mystery with music (7)
3 Very dead panel member? (8)
4 Bring forth the old article (4)
5 Earliest form of rock-music? (6-4)
6 Girl carrying gold ornament (5)
7 Darned shadow disappeared! (7)
8 Two donkeys I race, to make a killing (13)
9 Racing tipster affected the odds initially (8-5)
14 Pigeon served with spinach? (10)
17 Heathen and self-confessed procrastinator (8)
19 Chars papers (7)
21 One of the Innocents Abroad? (7)
23 Beast of burden has a Broadway backing, we hear (5)
25 Craving for vermouth before church? (4)

Solution to Puzzle No.7,966



Solution and winners of Puzzle No.7,955



A.J.S Pembroke, Verwood, Dorset; Mrs M.J. Adams, Dunkeld, Scotland; J. Donovan, London W2; P.O'Rourke, Leamington Spa; J.W. Richards, Hythe, Kent; G. Ridley, Brighton, Sussex.

Cracking the Tory code

***Dominic Lawson** interprets a most un-European language*

ONE OF the more diverting aspects of the deepening *political split in* the Conservative Party is, as always within that organisation, the code. He who wins the battle of terminology will usually win the political war.

At an earlier stage in the debate the semantic initiative was entirely with those within the party who favour European political and economic union. They managed to get themselves described by the media as "pro-European" so that *their opponents* were, naturally enough, designated "anti-European".

This gave the federalists the *initiative:* to be called anti-European is to suggest that one actually dislikes, en masse, the people who live in Europe; in terms of political correctness it is only one step up from being called racist.

I do not know which member of the Bruges group invented the phrase "Eurosceptic", or when, but it saved the day for the Thatcherites. To be sceptical is to be intelligent in a thoughtful, Tory sort of way. And the adoption of the term by the press has meant *that* the opposing faction has come more and more to be labelled "Europhile". This sounds dangerously foreign, with a slight whiff of perversion.

It would not be the the first time that the right wing of the Conservative party has won the war of terminology. In the 1980s the division was defined as being *between the wets and the drys.* Certain dissenting cabinet ministers were described as being "so wet you could shoot snipe off *them." The* anti-*Thatcherites* never really recovered from the adoption of this particular code: no politician can for long survive being described as "wet", and indeed, few did.

In the European debate the rhetorical battle is by no means over. The federalists still have their famous European "train", the train which we must not miss, the train we must be in the van of, the train *which must not be derailed,* nor hit the buffers, nor pull into the sidings.

When the opponents of the *Maastricht treaty manage to co-opt* an image as simple and appealing (and misleading) as the benevolent train they will finally have gained *the ascendancy in the great debate.*

But none of this explains the great mystery of why so many otherwise able politicians have become so emotionally attached to the idea of being, as they put it "at the heart of Europe."

I have a sneaking suspicion that *it all stems from holidays.* Europe means sun, good food and beautiful dark-haired women. It means not having to commute to the office, *it means being liberated from the* petty day to day problems of earning a living in a damp and rainy climate. This for the middle *classes* – which describes most conservative MPs is what Europe means.

But how many of them, I wonder, *choose to spend their holidays in* Germany? Perhaps the anti-federalists should begin to spread the idea that European union will be like having to spend one holiday a year in Germany. For there is no doubt that the recent fracas between Britain and Germany has been all *to* the benefit of the opponents of the Maastricht treaty, not because there has been a row – lovers always have those – *but* because the row has been with the Germans.

While newspapers such as the *Sun* have attempted to stir up a *popular campaign against Jacques* Delors, *it* has not really taken hold. The fact is that the English cannot take the French seriously: this may be a hopelessly arrogant attitude but it is undeniably a fact: perhaps Napoleon died too many years ago. But one only has to imagine how British people would react if Jacques Delors were a German to see how the debate could turn. No wonder then that John Major was so *furious at the publication,* through the *Financial Times* as it happens, of the Bundesbank President's strictures about *Britain's* conduct during the recent debacle on the currency markets.

John Major, while devoted to the cause of European integration, understands only too well that if the language of the European political debate begins to be expressed in terms of Anglo – German conflict, then, in Britain at least, the Maastricht treaty is dead.

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

Philosopher at the farm gate

HOW GRATIFYING to meet a man who looks so much the part. Lean and leathery, over 6ft tall, with close-set eyes, a slow manner and an authentic drawl, Wendell Berry is every inch the city bumpkin's idea of a Kentucky farmer.

Berry could have stepped from a Norman Rockwell painting. But his homespun exterior belies a vigorous mind: he is a lecturer, poet and polemicist who inveighs against the rape of Nature by Man in prose that thumps as remorselessly as a die-stamping machine.

I asked him if he was a hillbilly.

Berry bristled, then decided not to take offence. "Well, some people *would call me a hillbilly.* It's a term like 'nigger', not famous yet as an insult but it's a term of denigration. It's used to denigrate country peo*ple and people who do fundamental* work."

He was reared on a farm in Henry County, a tobacco-growing area of *Kentucky, but Berry is less* a farmer who writes than a writer who farms. Are you a gentleman farmer?

"*No. Because I don't hire my* work. I do it myself – and my wife. Or we swap work with neighbours."

For years more quoted than read *in his own country,* and little known outside it, Wendell Berry has been described as the best nature writer since Henry David Thoreau. His message, delivered with Old Testament certitude, is that man must learn to live according to nature's rules or destroy himself. He lives as *much as* he can without energy-consuming gadgets.

I referred to his latest essays and said: You're pretty tough on the rest of us.

"No, I'm tough on myself. There is no self-righteousness in that book. The issue is how to think about a national way of life that is wasteful – one I participate in just as avowedly in some respects as anyone else. I fly on airplanes. I drive an automobile. I'm hooked up to the utilities. I'm far from exempt from the evils I am talking about."

For fuel he burns wood from his *125-acre farm at* Port Royal (pop. 130) on the Kentucky River, but uses a chainsaw to cut it. He has 15 acres of arable, grows vegetables, keeps a few cows and ewes and sells lambs in spring. He has no television. He works with horses and writes with a pencil.

"It's not that I'd rule out any particular piece of equipment," he explained. "It is that I would change the kind of consciousness that uses the equipment and the standards by which it is used."

Are you a Luddite?

"I wouldn't give priority to technical advance any more than I would to someone's profit or to the raw ambition of productivity. I understand why the original Luddites destroyed the weaving frame: they did it to defend their communities, and I would do the same, *unhesitatingly . . . especially* if I could get away with it." He laughed.

Wouldn't people go bankrupt if *they followed your principles?*

"No, that isn't true. My farm is not exemplary. There are many Amish farms of 80 to 125 acres on which a decent living is made."

You're not suggesting everyone should live like the Amish.

"No, I'm not suggesting anyone live any particular way. I'm suggesting that people have a responsibility to take care of the things they use, either directly or by proxy."

Berry talks calmly but writes savagely – about corporate underlings, the medical industry, "industrial eating", (whose logical fulfilment would be a tube connecting our stomachs to the factory) and "industrial sex" (a crude tally of couplings and orgasms).

He grew up a Baptist and hereditary Democrat, cutting his dialectical teeth in arguments with his father, a lawyer-farmer. He goes to church but is a heterodox Christian. He cannot wait to vote against George Bush in next month's presidential election.

Why?

"Because he's given the country away." The drawling voice rose angrily. "He and Ronald Reagan have collaborated to give the country away to the rich."

I tried hanging some labels on him. Aren't you *simply nostalgic?*

"I'm always accused of turning back the clock. You wouldn't tell an addict that he couldn't turn back the clock because health is somewhere behind him. What I'm talking about is the possible correction of potentially disastrous processes."

Aren't you out of date? Everyone's going green.

Wendell Berry *is suspicious of modern environmentalists who oversimplify, sloganise and are ready to compromise*

"That is not true. The industrialists will do nothing that they are not made to do. It was true in eastern Kentucky from the time the railroad first went in there and the coal started comin' out. And it's still true."

Americans don't surely still believe God created them to shop?

"Have you been to a mall lately? A lot of people in my country virtually live in malls."

Are you anthropomorphising Nature?

"No. If Nature could be anthropomorphised there'd be no need to *worry about our relationship with* it. Our economy never is going to resemble it exactly. But enterprises that can be located no place *but* in nature must resemble nature in certain ways. That is to say, we must not waste, we must return to the soil the things we take from it . . ."

. . .for our own benefit?

"Yes. Oh, absolutely."

Are you really a sort of socialist?

Berry paused. "I am fundamentally, I think, a kind of Jeffersonian Democrat. That is, I believe in putting small ownership of usable properties ahead of the interests of capital. I don't think that the behaviour of money in large piles ought to be permitted to destroy the security of small livelihoods. I'm highly sceptical of government *solutions* on the one hand and I'm highly sceptical of the claims of the capitalists on the other."

Unprompted, he added: "I've been accused of being a Communist also. *I've been accused of the whole political* spectrum. I think the problem is I'm some kind of anomaly."

Berry is suspicious of modern *environmentalists who oversimplify,* sloganise and are ready to compromise. "When I write, I'm obedient not to the demands of any side, but to my own sense of what is required in this never-ending, never altogether satisfactory, effort to tell the truth."

What about the so-called holistic view of the world?

"'Holistic' is a word I won't use, because it's gotten to be one of those slogan words. It's always seemed to me a word that compromises between disdain of a plain word like 'whole' and fear of a forthright word like 'holy'.

"I try strenuously to avoid words like 'sustainable' and 'organic'. When I talk about agriculture I usually say 'good', knowing, for instance, that there are good farms that may use a little herbicide."

Berry insists that modern economic nostrums are just plain wrong. We argued about the benefits of competition, of free trade, of international comparative advantage, of agricultural subsidies. Each time he returned to his *motif:* the imperative need to defend rural communities.

When I suggested his protectionism was the sign of a redneck, he was angry.

"If you said that in a certain tone of voice, I'd sure as hell resent it."

It's the classic complaint of the small producer, I explained.

"I'd have to go back and ask you what is cheap about permitting a whole productive class of people to be destroyed? What is cheap about creating a national dependence on long-distance transport? What would be cheap, if that transport failed, about retraining those people to make those goods again?"

Are you saying we should *all* live like you?

"Heaven forbid. Anyone who understands farming would be aghast at the idea of a lot of city people rushing into the country to farm. It would be like a mass movement to play the violin. What I'm arguing for is that we should conduct our economic life by a juster and more complicated standard, the health of the local ecosystem and the local community."

Nations should be reconstituted as collections of local economies. Towns and their surrounding coun*tryside would exchange contracts* for food, goods and services. Governments would be there to guarantee community freedoms.

You say we can't seize Eden by assault. But isn't it you that's looking for the Garden of Eden?

"Well, I understand what the Fall *is about, and I'm only trying to* think in a way that is appropriate to a fallen human being. If we understand human fallibility and *what science has* told us about the unpredictability of the world, about small causes having devastating effects, then the message to me is: *limit the size of your causes."*

What is economic growth for?

"We're not talking about the fulfilment of needs. We're talking *about the fulfilment of created* needs. People in the western world tend to have more clothes than they need, more communications than they need, to eat more than they need. You have to distinguish between growth that's necessary and growth that's frivolous."

You're begging the question who decides what our needs are.

"Sure. But it's also a question of what we are taught to think of ourselves. Human mental needs are infinitely expandable, but you can eat only so much."

Your last book is called *What Are People For?* Have you an answer?

"There are many answers. People are certainly not just to be used by other people as labour or as soldiery or as consumers or as objects of desire. They're also for each others' enlightenment, for each others' pleasure. They are meant to take care of one another. So there would be many answers. My effort would be to keep there from being too few."

Not so secret service

Michael Thompson-Noel

I READ recently that the Russian security ministry, successor to the KGB, had been miffed that Anatolj Sobchak, the live-wire mayor of St Petersburg, had offered Barbara Hay, the new British consul-general to that city, ele*gant quarters* near the town hall in which to carry out her duties.

Local security chiefs claimed that cables carrying government infor*mation from the town hall* ran under the building in which Ms Hay was to be ensconced. Andrei Korodkhov, the ministry's liaison officer, said that a precedent "will have been set for the British intelligence service to secure access to classified information using various technical means and devices. This would not be a healthy development."

Anxious to have Ms Hay bedded down in her new quarters with minimum additional fuss, I rang Andrei this week and told him that if he would lay off Ms Hay, I would make it worth his while by radioing him, each week, a wad of intelligence news from London to offset any titbits Ms Hay may glean by plugging, accidentally, perhaps while digging the garden, into the security cables beneath her building.

"It won't always be classified information," I told Andrei. "But the items I send may go some way to balancing the flow of intelligence data between our countries."

First I worked out a code, using a British Rail timetable and encrypting my transmissions in five-digit numerical groups transformed –

HAWKS & HANDSAWS

using false addition (2 + 3 = 0) – by a second encryption. As a result, my first transmission to St Petersburg started "91207 49537 73482 10504 . . ." *At the other end, in a* smoke-filled basement, my bulletin would have been decoded like this:

PRIME MINISTER JOHN MAJOR *AND CHANCELLOR NORMAN* LAMONT ARE ON THE VERGE OF BEING LAUGHED OUT OF OFFICE AFTER OPPOSITION LEADER *JOHN SMITH DUBBED THEM* THE LAUREL AND HARDY OF BRITISH POLITICS. DO YOU GET LAUREL AND HARDY MOVIES IN RUSSIA? *IF SO, YOU WILL REALISE* HOW WOUNDED MAJOR AND LAMONT MUST BE. TERMINALLY, ONE IMAGINES. LAMONT EXPECTED *TO TOPPLE BEFORE CHRISTMAS,* MAJOR BY MID-'93, UNLESS ENGLAND CRICKET TEAM VICTORIOUS IN INDIA THIS WINTER, *IN WHICH CASE DISREGARD MID-*'93 FORECAST AND SUBSTITUTE LATE-'93.

There was more in like vein, some *of it quite perceptive. Then I sent* off a bit about plans to disband the British Army's German-based 1st British Corp and merge it into a 12-nation, rapid-reaction force to be known as the Allied Command Rapid Reaction Corps:

AS WELL AS SUPPLYING THE CORPS COMMANDER AND 30,000 TROOPS, BRITAIN IS PROVIDING A MAJOR GENERAL AS CHIEF OF STAFF – WIDELY TIPPED AS MAJOR GENERAL THOMAS WILLIAM HENRY STUART HAROLD KEITH D'ARCY D'AVIGDOR DE FONTAINE DE BATH AND WELLS, BEST KNOWN IN MILITARY CIRCLES FOR HIS PROPOSAL TO ERECT A CIRCLE OF EARTH FORTS AROUND LONDON TO COUNTER ATTACKS AGAINST THE MONARCHY.

Mention of the monarchy reminded me that I ought to update St Petersburg on the Queen's state of mind as she prepares to fill in her first income tax form:

QUEEN ELIZABETH II'S GLUM MOOD CANNOT HAVE BEEN *HELPED BY NEWS FROM AMER*ICA ABOUT THE SCREENING OF THE MADE-FOR-TV FILM, *FERGIE AND ANDREW: BEHIND THE PALACE DOORS.* ACCORDING TO ONE NEWSPAPER: "PRINCE ANDREW APPEARS TO HAVE BRAIN-DAMAGE. 'ONE FEELS SIX *MILES* TALLER WHEN ONE IS AT SEA,' HE SAYS."

Finally, I sent this snippet:

SIR MICHAEL CHECKLAND, DIRECTOR-GENERAL OF THE BBC, NOW RECKONS THE CORPORATION'S DEFICIT IN THE CURRENT FINANCIAL YEAR WILL BE £3.75BN, DUE TO 'FLAWS IN THE FINANCIAL ALLOCATION PROCESS' AND 'COMPUTER ERROR.' "IF IT HADN'T BEEN FOR RUTHLESS SACKINGS," SAID SIR MIKE, "THE DEFICIT WOULD HAVE BEEN £27.5BN AND RISING."

I informed St Petersburg that any diminution in the output of intelligence data from the BBC would be countered by increased output from my own transmitter.

■ *Next week: results of Hawks & Handsaws' Little Rays of Light Across the Planet's Doomed and Pitted Surface competition. Entries were still flooding in last night.*

Truth of the Matter

The quality of mercy

***Hugh Dickinson,** Dean of Salisbury, considers the call for mercy killings following a doctor's conviction for giving an elderly patient a fatal injection*

WHAT PRICE the tyranny of the abstract noun? I met the *phrase for the first* time recently and recognised its face at once. Abstract nouns get canonised. They get put in manifes*tos and men and women – though* fewer women I suspect – proceed to shed their life blood, and other people's, in defence of them. Meanwhile reality *has moved on and the* abstraction is beached like some beautiful empty shell after the tide has ebbed.

Is "The Sanctity of Life" one such? Or more emphatically, "The Absolute Sanctity of Life"? My mother's family were farmers in *South Africa and somewhere in the* family folklore there is a story of a young man and his best friend riding out into the bush to shoot game. *Some 20 miles from home they* encounter and wound a lion. But the friend is thrown from his horse and terribly mauled by the wounded beast. *His* injuries were appalling and agonising. Obviously he cannot survive the long rough journey home.

To leave him and ride for help is to abandon him to the lions. To stay with him only a prolongation of his terrible pain. The only kindly solution is quick and merciful oblivion. The bullet in the back of the head was his only option and so he shot his friend.

Most Christian moral theologians would agree. In spite of much loud advocacy from Christian protest groups, I do not find the Absolute *Sanctity of Life written anywhere* in scripture or tradition. "Thou shalt not kill" means "no murder". But killing abounds in the Old Tes*tament. The long held concept of* The Just War has a respectable place in Christian moral theology, and was much in play in the *months leading* up the Gulf War.

So the Sanctity of Life seems easily suspended when more urgent interests supervene. There are more than 100,000 Iraqi corpses, (mostly unlettered peasants) in the desert sands following the Gulf War – but then a good deal of holy oil got spilt as well. For, whatever we may say, most of us, governments and terrorists alike, believe and act on the belief that there are a good many other things further up the sanctity scale than human life. Other abstract nouns, no doubt.

But when I come to lie in mortal pain, I don't want any abstract noun standing between me and merciful oblivion. I have had enough experience of pain in my 60 years inside this creaky body to be sure of that, but I certainly do not want to put my doctor in the position of having to break the most *solemn oath* of his profession, to save life not to take it. He must not cross that boundary.

There has been much comment in *the press about* the case of Dr Alan Cox, tried and convicted in Winchester Crown Court for the attempted murder of a patient. The moral and practical issues are immensely complex and confusing and not much helped by abstract nouns. Public debate is essential for I have no doubt that the pressure for some form of legal euthanasia will become irresistible in the next 50 years. If we are to go that way we must get it right.

Clearly, the Winchester jury was right in law. Dr Cox intended to kill. He was therefore guilty. But *mens rea* (guilty intent) is a slippery fish. The doctor's choice of drug was not a painkiller but a heart stopper. A bullet would have had the same purposes and effect. He chose to end the pain by ending the life. But his intention was not malign, it was benign.

If "Always do *unto* others what you would have them do unto you" is the greatest moral precept of human relationships then it could be said he was doing the same final act of loving service that his friend did for the young man mauled by the lion. I would hope so to be loved myself in such a case.

Should we say then a friend may do it but a doctor may not – even to end intolerable pain?

Moral philosophers have a useful concept of "double effect". In this case we have two effects: pain killing and life killing. It is morally *acceptable for a doctor to* administer a drug to kill pain even if the immediate or longer-term consequence is the death of the patient. *It* is morally *unacceptable* for a doctor to administer a life-killing drug as a way of ending pain. A + B is alright, B + A is not. *It is a subtle line, you may think,* between "kill to end the pain" and "kill the pain and so end the life", but it is one on which their solemn *oath and our essential trust in our* doctors stands or falls. It is too dangerous to allow mercy killing to go on *sub rosa* amid a kindly conspiracy of *silence* among the medics.

The conclusion I draw from this, though with some trepidation, is not that euthanasia in such circumstances must be always banned. It is rather that the burden of this decision must not be left to doctors. The vast majority of cases will continue to fall on the acceptable side of the line, and will offer patients the benign exit through pain killing drugs; but these exceptional cases will have to be held by the community through appropriate panels in partnership *with the best medical advice. Death* is not a medical responsibility. It belongs to all of us.

The case of excessive pain is not *the only one that will come to claim* the panel's attention. There is a continuum through irreversible coma, Alzheimer's, to premature *senile dementia and on to mental* handicap and inconvenient old age. This is the dreaded slippery slope. But the social pressure to move on *to that slope is already irresistible.* Many doctors are standing at its upper edge. Legal enforceable guidelines or legally constituted *panels are the only bulwark against* the slide.

The ethical problem in these cases is rather different but if we do *not address it* and find an acceptable legal protection for it I believe we will find people taking their own lives and the lives of their dear ones *into their* own hands. Less benign agencies may follow.

What totalitarian regimes or venal doctors might get up to once the wall is breached is certainly frightening but I do not think they will be deterred more in the future than they have been in the past by us shouting the Sanctity of Life into their unheeding ears. Tight legislation will do more to save life and provide easeful death than any abstract nouns.